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ABSTRACT

This publication is intended to help postsecondary schools understand draft cohort default rate data. It explains how the Department of Education calculates cohort default rates, the effect of cohort default rates, and how to read cohort default rate loan record detail reports. Also, it reviews electronic reports available from the Department of Education; explains how to submit draft data challenges and participation rate index challenges; defines the responsibilities of guaranty agencies; and helps schools understand replies received in response to their draft data challenges. Following an introduction, sections of the report cover general information (cohort default rates, effects of cohort default rates, loan record detail reports); management tools (electronic loan record detail reports and student repayment history reports); information on challenges (general information on challenges, draft data challenges, participation rate index challenge); and information for guaranty agencies on challenges (general information, participation rate challenge, monthly status reports, draft data challenge response). Appended are guarantor/servicer contract arranged numerically and alphabetically and a request for user comments on the guide. (CH)

ED 437 881

Draft Cohort Default Rate Guide

For FFEL Program and
Direct Loan Program loans



U.S. Department of Education
Default Management Division

Published January, 2000

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Financial Analysis and Oversight
For information on lender or guaranty agency cohort default rates, call:
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Case Management and Oversight
For questions about re-certification, audit resolution, financial analysis, program review, and institution improvement, call:
(202) 260-3616

Default Management Division (DMD)
For questions about cohort default rates, contact:
(202) 708-9396 or
e-mail:
OSFA_IPOS_Default_Management_Division@ed.gov

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Introduction

What is this Guide?

The **Draft Cohort Default Rate Guide** is a publication that the U.S. Department of Education (Department) sends to postsecondary schools with their draft cohort default rate data each fiscal year. The **FY 1998 Draft Cohort Default Rate Guide** (Guide) should be used as a reference tool for the FY 1998 draft cohort default rates.

The guidance found in this Guide does not supercede or alter existing regulations or statute. If a discrepancy is found between this Guide and the regulations or statute, the regulations and/or statute take precedence.

The purpose of this Guide is to assist the community in:

- ◆ **understanding how the Department calculates cohort default rates** (please refer to the "Cohort Default Rates" section beginning on page 5);
- ◆ **understanding the effect of cohort default rates** (please refer to the "Overview of the Effects of Cohort Default Rates" section beginning on page 33);
- ◆ **understanding how to read cohort default rate loan record detail reports** (please refer to the "Loan Record Detail Report" section beginning on page 43);
- ◆ **understanding the electronic reports available from the Department** (please refer to the "Electronic Loan Record Detail Reports" and "Student Repayment History Reports" sections beginning on pages 63 and page 65 respectively).
- ◆ **submitting draft data challenges** (please refer to the "Draft Data Challenge" section beginning on page 75);
- ◆ **submitting participation rate index challenges** (please refer to the "Participation Rate Index Challenge" section beginning on page 101);

Q. Are there any effects associated with draft cohort default rates?

A. No, there are no effects associated with draft cohort default rates. Draft cohort default rates are released only to schools for informational purposes.

- ◆ **understanding the responsibilities of guaranty agencies with regard to draft data challenges** (please refer to the "Information for Guaranty Agencies on Challenges" section beginning on page 121);

AND

- ◆ **understanding the replies received in response to a school's draft data challenge** (please refer to the "Information for Guaranty Agencies on Challenges" section beginning on page 121);



If you would like to make comments on this Guide, please fill out and return the "User Comments" worksheet on page 1 in "Appendix B".

Which cohort default rates are addressed by this Guide?

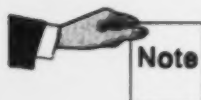
This Guide is about cohort rates calculated for the Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program.

This Guide does NOT:

- ◆ contain cohort default rates. **Draft cohort default rates are confidential and are only sent to the school.**
- ◆ discuss Federal Perkins Loan Program cohort default rates. For information on Federal Perkins Loan Program cohort default rates please call (202) 708-7741.
- ◆ discuss guaranty agency or lender cohort default rates. For information on guaranty agency or lender cohort default rates please call (202) 401-7482.

Why should schools and guaranty agencies use this guide as a reference?

Schools and guaranty agencies should review this guide to understand how cohort default rates are calculated and ensure that the guidelines and time frames for submitting or responding to a draft data challenge and/or participation rate index challenge are followed. The Department recommends that **all schools and guaranty agencies** read the **entire guide**. This will ensure that schools and guaranty agencies do not overlook any guidance.



An electronic version of this guide is available at www.ifap.ed.gov.

Cohort Default Rates

What is a cohort default rate?

A cohort default rate is the percentage of a school's student borrowers who enter repayment on certain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans during a particular fiscal year and default or meet other specified conditions before the end of the next fiscal year (FY)¹. The cohort default rate may be an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate depending on the type or types of student loans that comprise the rate.



Note

A school does not select whether it has an FFEL Program cohort default rate, a Direct Loan Program cohort rate, or a Dual-Program cohort rate. The type of rate is determined on the basis of the types of loans made to students attending the school that enter repayment in a given fiscal year.

An **FFEL Program cohort default rate**² is the cohort default rate for schools whose students have **only** FFEL Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program loans during a particular fiscal year and default within the fiscal year in which the loans entered repayment or within the next fiscal year.

A **Direct Loan Program cohort rate**³ is the cohort rate for schools whose students have **only** Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain Direct Loan Program loans during a particular fiscal year and default or meet **other specified conditions** within the fiscal year in which the loans entered repayment or within the next fiscal year.

¹ For schools with 29 or fewer borrowers entering repayment during a fiscal year, the data is averaged over a three year period. Please refer to page 14 for additional information on the averaging process.

² 34 CFR Section 668.17(d)

³ 34 CFR Section 668.17(e)

Q. What is a fiscal year?

A. A federal fiscal year begins on October 1 of a calendar year and ends on September 30 of the following calendar year.

Q. How are cohort default rates calculated if a school has branch campuses?

A. The data from each campus is combined to calculate a single cohort default rate for the school. The main campus of the school is notified of the cohort default rate and provided with a report that identifies all of the borrowers included in the rate.

A Dual-Program cohort rate⁴ is the cohort rate for schools whose students have **both** FFEL Program and Direct Loan Program loans entering repayment during a particular fiscal year. It is the percentage of a school's borrowers who enter repayment on certain FFEL Program and Direct Loan Program loans during a particular fiscal year and default or meet **other specified conditions** within the fiscal year in which the loans entered repayment or within the next fiscal year.

**Note**

The U.S. Department of Education's (Department) regulations use the term "weighted average cohort rate" for rates for schools with student borrowers who have both FFEL Program and Direct Loan Program loans entering repayment during a fiscal year. This Guide uses the term "Dual-Program cohort rate" to describe the same rate and calculation. In addition, this Guide uses the term "cohort default rate" to refer to a school's FFEL Program cohort default rate, Direct Loan Program cohort rate, or Dual-Program cohort rate, unless otherwise specified.

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. The period of time that determines whether a borrower will be included as a defaulted borrower due to the borrower's ICR plan is based on the cohort period in which the borrower is included. If the borrower was included in a cohort period **prior** to FY 1998, the period of time is 270 days. If the borrower is included in the **FY 1998 or a later** cohort period, the period of time is 360 days.⁵

⁴ 34 CFR Section 668.17(f)

⁵ 64 Fed. Reg. 58974, 58979 (November 1, 1999) (Preamble to Final Rule)

Which types of loans are included in the cohort default rate calculation?

The **FFEL Program** loans included in the cohort default rate calculation are:

- ◆ Subsidized Federal Stafford Loans (FFEL Stafford Loans);
- ◆ Unsubsidized Federal Stafford Loans (FFEL Stafford Loans);
- AND
- ◆ Federal Supplemental Loans for Students (Federal SLS Loans).



Federal SLS Loans have not been issued since July 1, 1994. However, it is possible for a Federal SLS loan to be included in a recent cohort default rate calculation if the borrower has recently entered into repayment on the Federal SLS loan.

The **Direct Loan Program** loans included in the cohort default rate calculation are:

- ◆ Federal Direct Subsidized Stafford/Ford Loans (Direct Loan Program Loans);
- AND
- ◆ Federal Direct Unsubsidized Stafford/Ford Loans (Direct Loan Program Loans).

The following **loans are NOT included** in the cohort default rate calculation:

- ◆ PLUS Loans;
- ◆ Federal Direct PLUS Loans;
- ◆ Federal Insured Student Loans;
- AND
- ◆ Federal Perkins Program Loans.

**Note**

Federal Consolidation Loans and Federal Direct Consolidation Loans are not counted directly in the cohort default rate calculation. However, the status of a consolidation loan may affect how the loan(s) that was paid off by the consolidation loan is included in the cohort default rate calculation. Please refer to page 23 for more information on how consolidation loans may affect the cohort default rate calculation.

When are cohort default rates released?

The Department releases cohort default rates twice a year. Generally, the Department releases **draft** cohort default rates approximately six to seven months before the official cohort default rates are released. The **official** cohort default rates are released no later than September 30 of each year.

Who receives cohort default rates?

The **draft** cohort default rates are released to all schools that the Department's records indicate:

- ◆ were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year on which the cohort default rate is based and may or may not have student borrowers who entered into repayment on one or more of the relevant types of loans during the cohort period in question;

OR

- ◆ have at one time participated in either loan program and have student borrowers who entered into repayment on one or more of the relevant types of FFEL Program and/or Direct Loan Program loans during the cohort period in question.

The **draft** cohort default rates are NOT released to the public.



When the Department provides a school with a draft cohort default rate the school will also receive a copy of the most recent *Draft Cohort Default Rate Guide* and a report listing all of the student borrowers contained in the cohort default rate calculation.

The **official** cohort default rates are released to all schools that:

- ◆ are participating in any of the Title IV Student Financial Assistance Programs and were participating in the FFEL Program and/or Direct Loan Program on the first day of the fiscal year for which the cohort default rate is based and may or may not have student borrowers who entered into repayment on one or more of the relevant types of loans during the cohort period in question;
- OR
- ◆ are participating in any of the Title IV Student Financial Assistance Programs and have student borrowers who entered into repayment on one or more of the relevant types of FFEL Program and/or Direct Loan Program loans during the cohort period in question.

The **official** cohort default rates are released to the public. The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools that are subject to sanctions as a result of official cohort default rates. For a copy of the most recent press package please call (202) 708-9396 or visit the Department's website at <http://www.ifap.ed.gov>.

**Note**

When the Department provides a school with an official cohort default rate the school will also receive a copy of the most recent *Official Cohort Default Rate Guide* and, if the school's cohort default rate is ten percent or greater, a report listing all of the student borrowers contained in the cohort default rate calculation.



What is a draft data challenge?



A draft data challenge is the process used by a school to correct cohort default rate data before the official cohort default rates are calculated.

Please refer to page 75 of the "Draft Data Challenge" section for additional information on draft data challenges.

Why are cohort default rates important?

Although there are no sanctions or consequences associated with a **draft** cohort default rate, it is important to review the data used to calculate the draft cohort default rate to ensure the accuracy of the data. The data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. **A school that fails to challenge the accuracy of its draft cohort default rate data through a draft data challenge may be precluded from challenging the accuracy of the data used in calculating its official cohort default rate.** Therefore, it is critical that all schools review their draft cohort default rate data.

In addition, because in certain circumstances a school may be able to avoid the consequences associated with its official cohort default rates by submitting a successful participation rate index challenge based on its draft cohort default rate, the school should review its enrollment data in relation to its draft cohort default rate to determine if it qualifies to submit a participation rate index challenge.

Please refer to page 75 of the "Draft Data Challenge" section for additional information on draft data challenges and page 101 of the "Participation Rate Index Challenge" section for additional information on participation rate index challenges.

The **official** cohort default rates are important because the rates may affect a school's eligibility to participate in certain Title IV Student Financial Assistance Programs and because the Department may take administrative actions against a school on the basis of its official cohort default rate(s). In addition, official cohort default rates below certain thresholds may qualify a school for certain benefits associated with the disbursement of loan program funds.

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Please refer to the "Overview of the Effects of Cohort Default Rates" section beginning on page 33 for more information on the administrative actions the Department may initiate against a school due to its official cohort default rate(s) and a description of the benefits associated with its official cohort default rate(s).

How does the Department calculate a school's cohort default rate?

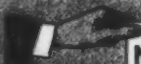
The formula the Department uses for calculating a school's cohort default rate depends on the number of student borrowers from that school entering repayment in a particular fiscal year (FY) and the number of cohort default rates previously calculated for the school.

The formulas and sample calculations are shown on the next six pages.

**Non-Average Rate
Calculation:**

For a school with **30 or more borrowers** entering repayment during FY 1998, a non-average rate is calculated.⁶ The FY 1998 non-average cohort default rate is calculated as follows:

100	X	the number of borrowers who entered repayment in FY 1998 and defaulted or met other specified conditions in FY 1998 or FY 1999 (Numerator)
		the number of borrowers who entered repayment in FY 1998 (Denominator)

 **Note** ***Other specified conditions:*** For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.

The following page provides an example of a non-average cohort default rate.

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⁶ 34 CFR Section 668.17(d), (e), and (f)

**Non-Average Rate
Example:**

School A, a degree granting school, certified 117 loans for **90 borrowers** that entered repayment in FY 1998 (denominator). Of those borrowers, **8 borrowers** defaulted on a total of 16 loans in FY 1998 or FY 1999 (numerator). School A's cohort default rate is calculated by dividing 8 by 90 and multiplying the result by 100 to produce a cohort default rate of 8.9 percent.

$$\boxed{100} \times \frac{\boxed{8}}{\boxed{90}} = \boxed{8.9\%}$$

 Are cohort default rates based on the number of **loans** that enter repayment or the number of **borrowers** who enter repayment?

 Cohort default rates are based on the number of unduplicated **borrowers** who enter repayment.

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Average Rate
Calculation:

For a school with **29 or fewer borrowers** entering repayment during FY 1998 that had a cohort default rate calculated for **FY 1996 and FY 1997**, the Department calculates an **average cohort default rate**.⁷ The FY 1998 average cohort default rate is calculated as follows:

100	X	the total number of borrowers who entered repayment in FY 1996, FY 1997, and FY 1998 and who defaulted or met other specified conditions before the end of the fiscal year immediately following the fiscal year in which the loan entered repayment (Numerator)
		the total number of borrowers who entered repayment in FY 1996, FY 1997, and FY 1998 (Denominator)

Note *Other specified conditions:* For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the school's rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than \$5 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.

**Note**

The Department does not calculate draft average cohort default rates. Draft cohort default rates are based on one year of data, even if the official cohort default rate will be an average rate.

The following page provides an example of an average cohort default rate.

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⁷ 34 CFR Section 668.17(d), (e), and (f)

School B, a degree-granting school, certified loans for the following students: 50 borrowers who entered repayment in FY 1996, 44 borrowers who entered repayment in FY 1997, and 29 borrowers who entered repayment in FY 1998. $50+44+29=123$ (denominator). Of those 123 borrowers, 2 of the borrowers who entered repayment in FY 1996 defaulted in FY 1996 or FY 1997; 6 of the borrowers who entered repayment in FY 1997 defaulted in FY 1997 or FY 1998; and 4 of the borrowers who entered repayment in FY 1998 defaulted in FY 1998 or FY 1999. $2+6+4=12$ (numerator). School B's average cohort default rate is calculated by dividing 12 by 123 and multiplying the result by 100 to produce an average cohort default rate of 9.8 percent.

$$100 \times \frac{2 + 6 + 4}{50 + 44 + 29} = 9.8\%$$

FY96 FY97 FY98 FY98

Unofficial Rate
Calculation:

For a school with **29 or fewer borrowers** entering repayment during FY 1998 that did **not have a cohort default rate calculated for FY 1996 and/or FY 1997**, the Department calculates an **unofficial cohort default rate**. The FY 1998 unofficial cohort default rate is calculated as follows:

100	X	the number of borrowers who entered repayment in FY 1998 and defaulted or met other specified conditions in FY 1998 or FY 1999 (Numerator)
		the number of borrowers who entered repayment in FY 1998 (Denominator)

 **Note**

Other specified conditions: For non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.



Draft cohort default rates are based on one year of data, even if a school has 29 or fewer borrowers entering repayment.

The following page provides an example of an unofficial cohort default rate.

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**Unofficial Rate
Example:**

School C, a degree-granting school that began participating in the FFEL Program on October 1, 1997 (i.e., the beginning of the 1998 fiscal year), certified loans for 21 borrowers who entered repayment in FY 1998. Of those borrowers, 2 of the borrowers who entered repayment in FY 1998 defaulted in FY 1998 or FY 1999. Because School C has 29 or fewer borrowers who entered repayment in FY 1998, a non-average cohort default rate cannot be calculated for the school. However, because the school was not participating in the FFEL Program on the first day of FY 1997 (i.e., October 1, 1996) and as a result did not have a cohort default rate calculated for FY 1997, School C does not have two previous rates with which to average its current year data. Therefore, School C's cohort default rate is calculated based on one year of data by dividing 2 by 21 and multiplying the result by 100 to produce an unofficial cohort default rate of 9.5 percent.

$$\boxed{100} \times \frac{\boxed{2}}{\boxed{21}} = \boxed{9.5\%}$$



Since an unofficial cohort default rate does not meet the statutory definition of a cohort default rate, it cannot be used to determine sanctions or benefits when the official cohort default rates are released.

What are the time frames of a cohort period?

The time frames for a cohort period are based on federal fiscal years. Federal fiscal years begin on October 1 of a calendar year and end on September 30 of the following calendar year.⁸

Except for schools with 29 or fewer borrowers entering repayment, the cohort default rate is based on the number of borrowers who **entered repayment in a single fiscal year** (this is the denominator of the calculation), and of these borrowers, the number of borrowers who **defaulted or met other specified conditions in a two-year period** (this is the numerator of the calculation).⁹ The cohort default rate for FY 1998 is based on the number of borrowers who entered repayment in **FY 1998** and of those borrowers, the number who defaulted or met other specified conditions in **FY 1998** or **FY 1999**. Therefore, the borrowers who entered repayment from October 1, 1997, through September 30, 1998, are included in the denominator of the FY 1998 cohort default rate calculation. Of those borrowers, the borrowers who defaulted or met other specified conditions from October 1, 1997, through September 30, 1999, are included in the numerator of the FY 1998 cohort default rate calculation.

Please refer to the chart on the next page for a listing of cohort periods and the loans included in the cohort default rate calculations.

⁸ 34 CFR Section 668.17(d)(2)

⁹ 34 CFR Section 668.17(d), (e), and (f)

The following chart outlines seven cohort periods and the borrowers included in the cohort default rate calculations.

Cohort Period Time Frames		
Cohort Period	Loans Included in the Cohort Default Rate Calculation ¹⁰	Period of Time
FY 1994	Borrowers who entered repayment on their loans in FY 1994 and defaulted in FY 1994 or FY 1995 Borrowers who entered repayment on their loans in FY 1994	10/1/93 to 9/30/95 10/1/93 to 9/30/94
FY 1995	Borrowers who entered repayment on their loans in FY 1995 and defaulted in FY 1995 or FY 1996 Borrowers who entered repayment on their loans in FY 1995	10/1/94 to 9/30/96 10/1/94 to 9/30/95
FY 1996	Borrowers who entered repayment on their loans in FY 1996 and defaulted in FY 1996 or FY 1997 Borrowers who entered repayment on their loans in FY 1996	10/1/95 to 9/30/97 10/1/95 to 9/30/96
FY 1997	Borrowers who entered repayment on their loans in FY 1997 and defaulted in FY 1997 or FY 1998 Borrowers who entered repayment on their loans in FY 1997	10/1/96 to 9/30/98 10/1/96 to 9/30/97
FY 1998	Borrowers who entered repayment on their loans in FY 1998 and defaulted in FY 1998 or FY 1999 Borrowers who entered repayment on their loans in FY 1998	10/1/97 to 9/30/99 10/1/97 to 9/30/98
FY 1999	Borrowers who entered repayment on their loans in FY 1999 and defaulted in FY 1999 or FY 2000 Borrowers who entered repayment on their loans in FY 1999	10/1/98 to 9/30/00 10/1/98 to 9/30/99
FY 2000	Borrowers who entered repayment on their loans in FY 2000 and defaulted in FY 2000 or FY 2001 Borrowers who entered repayment on their loans in FY 2000	10/1/99 to 9/30/01 10/1/99 to 9/30/00

¹⁰ Except for the FY 1994 cohort period, for non-degree granting proprietary schools only, students who have received Direct Loan Program loans are included as defaulted loans in the schools' rates if, for a specified period of time within the cohort period in question, the students are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. Please refer to page 6 for an explanation regarding the period of time the borrower must be in an ICR plan prior to being treated as a defaulted loan.

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How does the Department determine which loans are placed in the denominator of the calculation?

Q. When will a borrower enter repayment if the borrower re-enrolls in an eligible school prior to the expiration of the borrower's grace period?

A. If a school provides timely notification that the borrower re-enrolled, the borrower will not enter repayment until the borrower has received six consecutive months of an uninterrupted grace period.

Loans are included in the denominator of the cohort default rate based on when the loan entered repayment. Except for the average cohort default rate calculation, loans included in the denominator of the FY 1998 cohort default rate calculation are FFEL Program and Direct Loan Program loans that entered repayment during FY 1998 (i.e., from October 1, 1997, through September 30, 1998).

Different loan types enter repayment under different rules.

FFEL Program Stafford Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment PROVIDED that the school timely notified the lender and/or guaranty agency of the student's change in enrollment status. If the school does not timely notify the lender and/or guaranty agency of a student's change in enrollment status, the lender will use the best information available to determine the student's date entered repayment and this date will be used for purposes of calculating the school's cohort default rate.



Note

If the loan was converted into repayment before March 1, 1996, the repayment date for FFEL Program Stafford Loans may be date-specific (for example, 1/16/1996) or month-specific (for example, 2/1996). On or after March 1, 1996, the repayment date is date-specific.

Direct Loan Program Loans enter repayment on the day following six months of an uninterrupted grace period after a student drops below at least half-time enrollment PROVIDED that the school timely notified the Direct Loan servicer of the student's change in enrollment status. If the school does not timely notify the Direct Loan servicer of a student's change in enrollment status, the servicer will use the best information available to determine the student's date entered repayment and this date will be used for purposes of calculating the school's cohort default rate.



Note

Unlike FFEL Program loans, the date entered repayment for Direct Loan Program loans was always date specific.

Q. If a borrower requests a forbearance, or deferment, will the student's date entered repayment change?

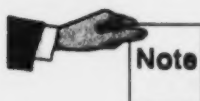
A. No, once a borrower has entered into repayment, a forbearance or deferment will not alter the borrower's date entered repayment.

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For any Federal SLS Loan that was not reported in a cohort period prior to FY 1993, the following definitions apply:

- ◆ If a student has a Federal SLS Loan and an FFEL Program Stafford Loan that were both obtained in the same period of continuous enrollment, the date entered repayment for the Federal SLS Loan is the same as the date entered repayment for the FFEL Program Stafford Loan.
- OR
- ◆ In all other instances, the date entered repayment for the Federal SLS Loan is the day following the day a student is no longer enrolled on at least a half-time basis.

Under these guidelines for Federal SLS Loans, which were implemented beginning with the FY 1993 cohort default rates, a loan that was reported as having entered repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS Loan that was reported in a cohort period prior to FY 1993 will not be reported again.



Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on page 24.

How does the Department determine which loans are placed in the numerator of the calculation?

Loans must be included in the denominator of a cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation.

For FFEL Program loans, only defaulted loans are included in the numerator of the calculation. For **cohort default rate purposes**, a loan is considered to be in default only if the guaranty agency has paid a default claim on the loan to the lender.¹¹ The date the guaranty agency reimburses the lender for the defaulted loan (the claim paid date or CPD) is used to determine if the loan will be placed in the numerator of the calculation. If the claim paid date falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in both the denominator and numerator of the cohort rate calculation.

¹¹ 34 CFR Section 668.17(d)(1)(i)(C)

**Note**

Effective October 7, 1998, the 1998 Amendments to the HEA changed the definition of default for FFEL Program loans from 180 days of delinquency to 270 days of delinquency. Therefore, if a borrower's first day of delinquency on a loan occurred before October 7, 1998, the borrower's default will be based on 180 days of delinquency. However, if a borrower's first day of delinquency on a loan occurred on or after October 7, 1998, the borrower's default will be based on 270 days of delinquency. When determining a borrower's first day of delinquency, it is important to note that a borrower's first day of delinquency can change based on late payments made by a borrower (i.e., rolling delinquencies). For example, if a borrower, whose first day of delinquency was September 15, 1998, makes a full monthly payment in November 1998, the borrower's first day of delinquency would change to October 15, 1998 and the borrower would only default if he or she remained delinquent for 270 days. **In either circumstance, if the date the claim is paid falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in both the denominator and the numerator of the cohort default rate calculation.**

For Direct Loan Program loans, loans are included in the numerator of the cohort default rate calculation when a student defaults. As a result of the change in definition of default, the definition of default **for cohort default rate purposes** for Direct Loan Program loans was changed from 270 days of delinquency to 360 days of delinquency. This change was effective October 7, 1998. Therefore, if a borrower defaults on a Direct Loan Program loan based on a first day of delinquency that occurred before October 7, 1998, the default will be based on 270 days of delinquency. If a borrower defaults on a Direct Loan Program loan based on a first day of delinquency that occurred on or after October 7, 1998, the default will be based on 360 days of delinquency. As with FFEL Program loans, it is important to note that the first day of delinquency may change based on late payments made by borrowers. The change in the borrower's first day of delinquency may affect whether or not the borrower is considered in default after 270 days or 360 days of delinquency. **In either circumstance, if the borrower's default date falls within the same fiscal year in which the loan entered repayment or the next fiscal year, the loan will be included in both the denominator and the numerator of the cohort default rate calculation.**

In addition, for non-degree granting proprietary schools only, borrowers who have received Direct Loan Program loans are considered to be in default in the schools' rates if, for a specified period of time during the cohort period in question, the borrowers are in repayment under the income contingent repayment (ICR) plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan. The period of time that determines whether a borrower will be included as a defaulted borrower due to the borrower's ICR plan is based on the cohort period in which the borrower is included. If the borrower was included in a cohort period **prior** to FY 1998, the period of time is 270 days. If the borrower is included in the **FY 1998 or a later** cohort period, the period of time is 360 days.¹²



Please refer to the list of special circumstances affecting the cohort default rate calculation beginning on the next page

How do consolidation loans affect the numerator of the cohort default rate calculation?

A defaulted Federal Consolidation loan and/or Federal Direct Consolidation loan may cause a **non-defaulted** FFEL Program and/or Direct Loan Program loan to be included in the **numerator** of the cohort default rate calculation. This occurs if the Federal Consolidation loan and/or Federal Direct Consolidation loan, which was used to consolidate the FFEL Program and/or Direct Loan Program loan(s), defaults within the same cohort period in which the FFEL Program and/or Direct Loan Program loan entered into repayment.

For example: A borrower entered into repayment on an FFEL Program loan on January 3, 1998. Because the borrower entered into repayment on the FFEL Program loan on January 3, 1998, the borrower will be included in the denominator of the FY 1998 cohort default rate calculation. After entering into repayment on the FFEL Program loan, the borrower elects to consolidate the FFEL Program loan using a Federal Consolidation loan. The borrower fails to make payments on the Federal Consolidation loan and defaults on the Federal Consolidation loan on March 15, 1999. Even though the FFEL Program loan did not default, the FFEL Program loan will be included in the numerator of the FY 1998 cohort default rate calculation because the Federal Consolidation loan, which consolidated the FFEL Program loan, defaulted within the cohort period in which the FFEL Program loan entered repayment.

¹² 64 Fed. Reg. 58974, 58979 (November 1, 1999) (Preamble to Final Rule)

Are there any special circumstances which affect how a loan will be included in the cohort default rate calculation?

There are several special circumstances that will affect how a loan is included in the cohort default rate calculation. The following table addresses many of these circumstances but is not intended to be representative of all of the special circumstances.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower had more than one loan enter repayment during the same fiscal year	The borrower should be included in the denominator of the cohort default rate calculation in the year in which the loans entered repayment. Cohort default rates are calculated based on an unduplicated borrower count. Therefore, even if a borrower has more than one loan entering repayment in a single fiscal year, that borrower will only be counted once in the denominator of the cohort default rate calculation.	The borrower should be included in the numerator of the cohort default rate calculation if one or more of the loans defaulted or met other specified conditions within the fiscal year in which the loans entered repayment or within the next fiscal year. Even if more than one loan defaulted or met other specified conditions, the borrower would be counted only once in the numerator of the cohort default rate calculation.
A borrower has two or more separate loans and the repayment dates for each of the loans fall into separate cohort periods	The borrower should be included in the denominators of the cohort default rate calculations in the year in which the loans entered repayment. The same borrower can appear in two different cohort periods if the borrower has two separate loans and the repayment dates for each of the loans fall into separate fiscal years. However, the same loan cannot be used in more than one cohort period.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted or met other specified conditions within the fiscal year in which that loan entered repayment or within the next fiscal year.

**Special Circumstances Affecting How
Cohort Default Rates
are Calculated**

If...	Then...	And...
A borrower takes out loans at more than one school	The loans obtained for attendance at one school are included in the denominator of that school's cohort default rate calculation and the loans obtained for attendance at any other schools are included in the denominator of the other schools' cohort default rate calculations.	The loans obtained for attendance at one school are included in the numerator of that school's cohort default rate calculation and the loans obtained for attendance at the other schools are included in the numerator of the other schools' cohort default rate calculations, provided that the loans defaulted or met other specified conditions within the fiscal year that those loans entered repayment or within the next fiscal year.
A borrower consolidated one or more of his/her non-defaulted loans	The borrower should be included in the denominator(s) of the cohort default rate calculation(s) in which the underlying loan(s) entered repayment.	If the consolidation loan defaulted or met other specified conditions within the fiscal year in which the underlying loan(s) entered repayment or within the next fiscal year, then the borrower should be included in the numerator(s) of the cohort default rate calculation(s).
A borrower consolidated one or more of his/her defaulted loans	The borrower should be included in the denominator(s) of the cohort default rate calculation(s) in which the underlying loan(s) entered repayment.	If the underlying loan(s) defaulted or met other specified conditions within the fiscal year in which the underlying loan(s) entered into repayment or within the next fiscal year, then the borrower should be included in the numerator(s) of the cohort default rate calculation(s).

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
The borrower's loan was discharged due to death, bankruptcy, and/or disability PRIOR to the borrower entering repayment.	Because the borrower did not enter repayment, the borrower should be included in the denominator of the cohort default rate calculation based on the date the borrower died, declared bankruptcy, and/or became disabled provided that the lender, guaranty agency, and/or Direct Loan servicer was timely notified of the borrower's death, bankruptcy and/or disability.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan did not default prior to the death, bankruptcy, and/or disability.
The borrower's loan was discharged due to death, bankruptcy, and/or disability AFTER the borrower entered repayment BUT prior to the borrower defaulting.	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	PROVIDED that the lender, guaranty agency, and/or Direct Loan servicer was timely notified of the borrower's death, bankruptcy, and/or disability, the borrower should NOT be included in the numerator of the cohort default rate calculation because the loan did not default prior to the death, bankruptcy, and/or disability.

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Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
The borrower's loan was discharged due to death, bankruptcy, and/or disability AFTER the borrower defaulted ¹³	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted, or met other specified conditions within the fiscal year in which the loan entered repayment or the next fiscal year.
The borrower's loan was discharged under the closed school discharge provisions	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	If the discharge occurred within the same fiscal year that the loan entered repayment or in the next fiscal year, the borrower should be included in the numerator of the cohort default rate calculation.
A payment is made on a loan by the school, its owner, agent, or another entity or individual affiliated with the school to avoid default by the borrower ¹⁴	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation because the loan is treated as in default for cohort default rate purposes.
A loan was fully refunded to the lender/Direct Loan servicer (i.e., cancelled) within 120 days of disbursement	The borrower should NOT be included in the denominator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.	The borrower should NOT be included in the numerator of the cohort default rate calculation because cancelled loans are not included in the cohort default rate calculation.

¹³ 34 CFR Section 682.402 and 685.212

¹⁴ HEA Section 435(m)(2)(B), 34 CFR Section 668.17(d)(1)(ii)(B), (e)(2)(ii), and (f)(2)(ii)

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A loan was partially refunded to the lender/Direct Loan servicer or was not fully refunded within 120 days of disbursement.	The borrower should be included in the denominator of cohort default rate calculation based on the fiscal year in which the loan entered repayment. If the loan was fully refunded after 120 days of disbursement, the repayment date becomes the date the loan was fully refunded.	The borrower should be included in the numerator of the cohort default rate calculation if the portion of the loan that was not refunded, defaults or meets other specified conditions within the fiscal year the loan entered repayment or the next fiscal year.
A borrower paid the loan in-full PRIOR to the date the borrower was originally scheduled to enter repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year that the borrower paid the loan in-full. The paid in-full date becomes the new repayment date.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan never defaulted or met other specified conditions.
A borrower requested and was granted a repayment schedule that started before the date the borrower was originally scheduled to enter repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which that early repayment schedule start date falls.	The borrower should NOT be included in the numerator of the cohort default rate calculation if the loan did not default or meet other specified conditions.

Special Circumstances Affecting How Cohort Default Rates are Calculated		
If...	Then...	And...
A borrower defaulted on a loan but it was rehabilitated before the end of the cohort period in which the borrower entered repayment ¹⁵	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should NOT be included in the numerator of the cohort default rate calculation because the loan is not considered in default.
A borrower paid the loan in-full AFTER defaulting on the loan and the borrower did not successfully rehabilitate his/her loan before the end of the cohort period in which the borrower entered repayment	The borrower should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The borrower should be included in the numerator of the cohort default rate calculation if the loan defaulted or met other specified conditions within the fiscal year in which the loan entered repayment or the next fiscal year.
A lender repurchased a loan because the guaranty agency determined that the lender failed to meet the insurance requirements	The loan should NOT be included in the denominator of the cohort default rate calculation because uninsured loans are not included in the cohort default rate calculation.	The loan should NOT be included in the numerator of the cohort default rate calculation because uninsured loans are not included in the cohort default rate calculation.
A lender repurchased a loan because it incorrectly submitted the loan to the guaranty agency AND the lender immediately requested that the loan be returned AND did not subsequently submit another claim	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The loan should NOT be included in the numerator of the cohort default rate calculation because the loan is not a defaulted loan.

¹⁵ HEA Section 428 F (a), 435(m)(2)(C), and 34 CFR Section 682.405(a) An FFEL Program loan is rehabilitated if a borrower has made 12 consecutive, voluntary, on-time monthly payments before the end of the cohort period in which the student entered repayment and the loan is sold to a lender. HEA Section 451(b)(2), 455(a)(1), and 34 CFR Section 685.211(e) A Direct Loan Program loan is rehabilitated if a borrower has made 12 consecutive on-time monthly payments before the end of the cohort period in which the borrower entered repayment.

Special Circumstances Affecting How Cohort Default Rates are Calculated

It...	Then...	And...
A lender repurchased a loan because it incorrectly submitted the loan to the guaranty agency and the lender immediately requested that the loan be returned AND then the lender subsequently submits another claim on the loan and that claim is paid within the same cohort period the loan entered repayment	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The loan should be included in the numerator of the cohort default rate calculation because a subsequent claim was submitted and paid within the cohort period.
A lender repurchased a loan because the borrower established a new payment plan and is making payments, or the lender/servicer simply requests the repurchase (i.e., a courtesy repurchase) AND the loan does not meet the rehabilitation criteria discussed on page 29.	The loan should be included in the denominator of the cohort default rate calculation based on the fiscal year in which the loan entered repayment.	The loan should be included in the numerator of the cohort default rate calculation if the original claim was paid within the cohort period the loan entered repayment since the loan is considered a defaulted loan for cohort default rate purposes.

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How does adding and subtracting loans from the cohort default rate calculation affect a school's cohort default rate?

The following chart describes the effect that the movement of a loan has on a cohort default rate calculation.

Results of Adding and Subtracting Loans		
Are there other loans for the same borrower that are CORRECTLY included in the cohort default rate calculation?	And the Department...	Then the following change to the cohort default rate results:
If the borrower has no other loans in the CDR calculation	Adds a defaulted loan	+B
	Adds a non-defaulted loan	+D
	Subtracts a defaulted loan	-B
	Subtracts a non-defaulted loan	-D
	Changes a defaulted loan to a non-defaulted loan	-N
If the borrower has other non-defaulted loan(s) in the CDR calculation	Adds a defaulted loan	+N
	Adds a non-defaulted loan	No effect
	Subtracts a non-defaulted loan	No effect
	Subtracts a defaulted loan	-N
	Changes a defaulted loan to a non-defaulted loan	-N
If the borrower has other defaulted loan(s) in the CDR calculation	Adds a defaulted loan	No effect
	Adds a non-defaulted loan	No effect
	Subtracts a defaulted loan	No effect
	Subtracts a non-defaulted loan	No effect
	Changes a defaulted loan to a non-defaulted loan	No effect

Key	
Code	Description
CDR	Cohort Default Rate
N	Numerator
D	Denominator
N	Both Numerator and Denominator

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Overview of the Effects of Cohort Default Rates



Are there any consequences associated with draft cohort default rates?

It is important to note that there are no consequences associated with **draft** cohort default rates. However, there are consequences associated with **official** cohort default rates. Since the draft cohort default rate data form the basis of the official cohort default rates, and since a school may be unable to appeal its official rate if it fails to challenge its draft data, it is critical that a school review its draft cohort default rate data to ensure the data's accuracy.

What happens after the draft cohort default rate data are provided to schools?

After schools receive their draft cohort default rate data and schools are provided an opportunity to identify and correct any inaccuracies, the U.S. Department of Education (Department) releases the **official cohort default rates**. Official cohort default rates are released to schools and the public approximately six months after the release of the draft cohort default rates BUT must be released no later than September 30th of each year.¹

Will a school's draft cohort default rate and official cohort default rate be the same?

Not necessarily. The National Student Loan Data System (NSLDS), which contains the data used to calculate cohort default rates, is regularly updated. Therefore, a school's **draft** data might differ from its **official** data, even if a school does not challenge its draft cohort default rate data.

¹ HEA Section 435(m)(4)(D)

Are there any consequences associated with official cohort default rates?

Yes. The Higher Education Act of 1965, as amended (HEA), and the U.S. Department of Education's (Department) regulations describe the sanctions that apply when a school's official cohort default rate(s) is at or above certain percentages. For cohort default rate purposes, a sanction is a specific restriction on a school's participation in the Title IV Student Financial Assistance Programs.

Please refer to the next question for additional information on the various sanctions associated with **official** cohort default rates.

The HEA and the Department's regulations also describe the benefits that apply when a school's official cohort default rate(s) is below certain percentages. For cohort default rate purposes, a benefit is provided in the form of an exemption from certain loan disbursement requirements.

Please refer to pages 40 and 41 for additional information on the various benefits associated with **official** cohort default rates.

What sanctions are associated with official cohort default rates?

The sanctions associated with official cohort default rates are:

- ◆ **initial loss²** of eligibility to participate in the:
 - ❖ Federal Family Education Loan (FFEL) Program;
 - ❖ William D. Ford Federal Direct Loan (Direct Loan) Program;
- AND/OR
- ❖ Federal Pell Grant Program.

Initial loss of eligibility to participate in these programs occurs when a school's three most recent **official cohort default rates** (in this case FY 1996, FY 1997, and FY 1998) are equal to or greater than 25.0 percent.

OR

² 34 CFR Section 668.17(a)(3), 668.17(b), HEA Section 435(a)(2), and HEA Section 401(j)

◆ **extended loss³ of eligibility to participate in the:**

- ❖ FFEL Program;
- ❖ Direct Loan Program;
- AND/OR
- ❖ Federal Pell Grant Program.

Extended loss of eligibility to participate in these programs occurs when a school lost FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility due to prior year official cohort default rates (in this case FY 1995, FY 1996, and FY 1997) AND the school's current year official cohort default rate (in this case FY 1998) is equal to or greater than 25.0 percent.



Note A school is not subject to the loss of Federal Pell Grant Program eligibility if, prior to October 7, 1998, a school officially withdrew (in writing) from or lost its eligibility to participate in the FFEL Program and/or Direct Loan Program and has not subsequently participated in the programs. In addition, a school is not subject to the loss of Federal Pell Grant Program eligibility if it did not certify any FFEL Program and/or originate any Direct Loan Program loans on or after July 7, 1998.

AND/OR

- ◆ **possible action to limit, suspend, and/or terminate (LS&T)⁴ a school's eligibility to participate in any or all Title IV Student Financial Assistance Programs. This occurs when a school's official cohort default rate is 40.1 percent or greater.**



Note If a school is subject to an LS&T action based on its final cohort default rate, the school will be notified in writing of the intended action. If a school believes it has a basis to appeal its **official** cohort default rate, it must follow the procedures set forth in the Department's Regulations and the *Official Cohort Default Rate Guide*. A school cannot wait to appeal its cohort default rate until after it has been notified that the Department is pursuing an LS&T action.

³ 34 CFR Section 668.17(a)(3), Section 668.17(b), HEA Section 435(a)(2), and HEA Section 401(j)

⁴ 34 CFR Section 668.17(a)(2)

Q. How does a school officially withdraw from participation in the FFEL Program and/or Direct Loan Program?

A. The process for withdrawing from the FFEL Program and/or Direct Loan Program is handled by the Case Management Team and Direct Loan Operations, respectively. For further information contact the:

- ◆ Case Management Team at (202) 205-0183 for withdrawing from the FFEL Program;

AND/OR

- ◆ Direct Loan Operations at (202) 708-9951 for withdrawing from the Direct Loan Program.

Q. Could a school that was not participating in the FFEL Program and/or Direct Loan Program on October 7, 1998, lose its eligibility to participate in the Federal Pell Grant Program if it subsequently participates in the FFEL Program and/or Direct Loan Program?

A. Yes. Only those schools that were not participating in the FFEL Program and/or Direct Loan Program on October 7, 1998, and remain out of the loan programs are exempt from the loss of Federal Pell Grant Program eligibility.

Q If a school loses FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility, can it continue to disburse funds?

A A school that loses FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility may continue to disburse funds after notification of the loss of the school's eligibility if the criteria at 34 CFR Section 668.26 (d) are met.

What are the consequences associated with sanctions based on official cohort default rates?

A school subject to:

- ◆ **initial or extended loss** of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility loses its eligibility to participate in that program for the remainder of the fiscal year in which the school became subject to the loss and for the two subsequent fiscal years.⁵

Example: If a school is notified that it is subject to initial or extended loss of FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program eligibility in FY 2000, the school would lose its eligibility for the remainder of FY 2000 and for the next two fiscal years (i.e., FY 2001 and FY 2002). Therefore, the school would remain ineligible through September 30, 2002.



If the Department fails to release official cohort default rates by the end of the fiscal year (i.e., by September 30), the Department will calculate a school's period of loss as if the cohort default rates were released on September 30.

- ◆ **LS&T** may have its eligibility to participate in any or all Title IV Student Financial Assistance Programs limited, suspended, and/or terminated.

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⁵ 34 CFR Section 668.17(b)(3)(i) and (ii)

Can a school appeal a notice of loss of eligibility resulting from official cohort default rates?

Yes, a school can appeal the Department's notice of loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Programs. If eligible, a school may appeal based on:

- ◆ a request for adjustment;
- ◆ a new data adjustment;
- ◆ allegations of erroneous data;
- ◆ allegations of improper loan servicing and collection;
- AND/OR
- ◆ exceptional mitigating circumstances.

However, in order to submit an appeal on any of these bases, a school must meet the eligibility criteria as described in the "Information for Schools" section of the *Official Cohort Default Rate Guide*, which will be mailed to schools with the official cohort default rates.

As of July 1, 1999, an Historically Black College or University, Tribally Controlled Community College, and Navajo Community College, as defined in regulations, which is subject to the loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program due to cohort default rates that are 25.0 percent or greater for the three most recent fiscal years may continue to participate in the programs if the school.⁶

- ◆ timely submits an acceptable default management plan;
- ◆ timely engages an independent third-party to assist in implementing the plan;
- AND

⁶ 34 CFR Section 668.17(k), HEA Section 435(a)(5)

 How does a school officially reapply for participation in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program?

A. To reapply for participation in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program, contact the:

- Case Management Team at (202) 205-0183 for participation in the FFEL Program and Federal Pell Grant Program;

AND/OR

- Direct Loan Operations at (202) 708-9951 for participation in the Direct Loan Program.

- ◆ demonstrates that the plan has been successfully implemented and that the school's cohort default rate will be 24.9 percent or lower by July 1, 2002.

What are the consequences of an unsuccessful cohort default rate appeal?

In addition to losing eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program, Section 435(a)(2)(A)(iii) of the HEA requires a school that submits an unsuccessful cohort default rate appeal to pay the Secretary an amount equal to the amount of interest and special allowance, reinsurance, and any other related or similar payments which the Secretary is (or could be) obligated to pay as a result of any FFEL Program and Direct Loan Program loans certified/delivered and originated/dispensed during the pendency of the appeal. The period of liability during the pendency of the appeal is the period that begins 30 calendar days after the school receives notification of its cohort default rate and continues up to 45 calendar days after the date the Department receives the complete appeal from the school.⁷

When does the school's loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program become effective?

The effective date of the school's loss depends on whether the school appeals.

- ◆ If a school does not appeal, a school's participation in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program ends 30 calendar days after the date the school first receives notice that it is subject to the loss of eligibility.⁸
- ◆ If a school timely appeals its loss of eligibility to participate in the FFEL Program and/or Direct Loan Program, the school remains eligible to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program until the school's receipt of the Department's final decision on the school's appeal(s) that indicates that the school's appeal(s) was unsuccessful.

⁷ HEA Section 435(a)(2)(A) and 34 CFR Section 668.17(b)(6)(ii)

⁸ 34 CFR Section 668.17(b)(1), (b)(2), and (b)(3)

AND/OR

- ◆ If a school timely appeals its loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program and is **successful**, the Department will withdraw the school's loss of eligibility notification.

Are there any exceptions to the sanctions associated with official cohort default rates?

In addition to being exempt from sanctions due to a successful cohort default rate appeal, a school may avoid certain sanctions despite its cohort default rates if:

- ◆ the school has an **unofficial cohort default rate** as described in the "Cohort Default Rates" section on page 16. An unofficial cohort default rate is not used to end a school's eligibility to participate in any Title IV Student Financial Assistance Programs.
- ◆ the school has an **average cohort default rate with less than five borrowers entering repayment in any of the three most recent cohort periods**. A school that has an average cohort default rate with less than five borrowers entering repayment in any of the three most recent cohort periods will NOT be subject to an LS&T action based on the average cohort default rate.⁹



Note

This exception does not apply to those schools subject to initial or extended loss to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program.

AND/OR

- ◆ the school has submitted, prior to the release of the official cohort default rates, a successful **participation rate index challenge** based on its most recent draft cohort default rate or on either of its two previous official cohort default rates. A school that submits a successful participation rate index challenge based on either its draft cohort default rate or either of the two previous official cohort default rates will NOT be subject to initial or extended loss of its eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program.

⁹ 60 Fed. Reg. 61760, 61764 (December 1, 1995) (Preamble to Final Rule)

What is a participation rate index?

A participation rate index is the percentage of a school's students that obtain FFEL Program and/or Direct Loan Program loans multiplied by the school's cohort default rate.

Please refer to page 101 of the "Participation Rate Index Challenge" section for additional information on calculating a participation rate index.

**Note**

A successful participation rate index challenge based on a school's FY 1998 **draft** cohort default rate will only alleviate a potential loss of eligibility based on the school's FY 1996, FY 1997, and FY 1998 official cohort default rates. Therefore, the school could subsequently be subject to the loss of eligibility to participate in the loan and grant programs due to FY 1997, FY 1998, and FY 1999 official cohort rates that are 25.0 percent or greater. However, if the Department determines that the school's participation rate index is successful based on its FY 1998 **official** cohort default rate, the earliest the school could be subject to the loss of eligibility to participate in the loan and grant programs due to its three most recent official cohort default rates is with the release of the FY 2001 official cohort default rates.

Are there any benefits for schools with low cohort default rates?

Yes. There are two types of benefits that are available to certain schools with cohort default rates that are below certain thresholds.

Q. Can a school that is an eligible home institution that certifies/originates loans to cover the cost of attendance in a study abroad program take advantage of the benefits associated with cohort default rates that are 9.9 percent or lower for three years?

A. Yes, eligible home institutions certifying/originating loans to cover the cost of attendance in study abroad programs can make single and/or non-delayed disbursements provided the students receiving the disbursements meet the criteria described in the HEA Section 428G(e).

◆ Any school whose three most recent official cohort default rates are 9.9 percent or lower may:¹⁰

❖ deliver/disburse **single installments** of loan proceeds to a student if that student's period of enrollment is equal to or less than:

- one semester
- one trimester;
- one quarter;

OR

- for non-term-based schools or schools with non-standard terms, four months,

AND

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¹⁰ HEA Section 428G(a) and (b)(1)

- ❖ may choose not to delay the **delivery/disbursement** of the first installment of loan proceeds for first-year first-time borrowers.

◆ A school that is an eligible home institution that is certifying/originating a loan to cover the cost of attendance in a **study abroad program where the school's most recent official cohort default rate is 4.9 percent or less** may:¹¹

- ❖ deliver/disburse **single installments** of loan proceeds to the student studying abroad;

AND

- ❖ may choose not to delay the **delivery/disbursement** of the first installment of loan proceeds for first-year first-time borrowers studying abroad.



Note

Schools may no longer certify/originate loans based on any of these exemptions beginning 30 calendar days after receiving notice from the Department of a cohort default rate that causes the school to no longer meet the established thresholds.

¹¹ HEA Section 428G(e)

Loan Record Detail Report

What is a loan record detail report?

A loan record detail report, formerly referred to as backup data or BUD, is a report that contains information on Federal Family Education Loan (FFEL) Program loans and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans which were used to calculate a school's cohort default rate. The loan record detail report lists a school's loan activity, including but not limited to:

- ◆ the number of borrowers who entered repayment during a given fiscal year;
- ◆ the loan status of those borrowers;
- AND
- ◆ the school's cohort default rate.

Which schools receive hardcopy draft loan record detail reports?

The U.S. Department of Education (Department) sends draft loan record detail reports in a hardcopy format to **all** postsecondary schools for which a draft cohort default rate is calculated.



It is important that schools maintain a copy of all loan record detail reports received from the Department. These reports will be useful if a school files an appeal at a later date.

Can a school request its draft loan record detail report in an electronic format?

Yes, if a school would like to receive its loan record detail report in an electronic format, it should refer to the "Electronic Loan Record Detail Reports" section beginning on page 63 for instructions on how to request the electronic report. **However, please note that the time frames to challenge the data in the report are based on the school's receipt of the hard copy report.**

Why should a school review its draft loan record detail report?

After the release of the draft cohort default rates, a school should review its **draft** loan record detail report to verify the accuracy of the loan information that will ultimately be used to calculate its **official** cohort default rate. Because the official cohort default rate is used to determine if the school may be subject to sanctions and/or benefits, it is important for the school to verify the accuracy of its draft data before the official cohort default rates are calculated and released to the public. Only by submitting a draft data challenge will a school preserve its right to submit an erroneous data appeal based on **disputed data** if a school becomes subject to sanctions after the release of the official cohort default rates.

Q. If a school's draft cohort default rate is only 3.2 percent, may the school submit a draft data challenge?

A. Yes. All schools may submit a written challenge, including those schools whose cohort default rates are less than 25.0 percent. It is important to take advantage of this opportunity since this is the only time all schools may review and challenge the cohort default rate data.



Note

If a school DOES NOT submit a draft data challenge, then the school will forfeit its right to challenge certain errors after the release of the official cohort default rates.¹

¹ 34 CFR Section 668.17(j)(3)(v), 64 Fed. Reg. 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

What should a school review in its draft loan record detail report?

A school should review the data in its draft loan record detail report to determine if any inaccuracies exist.

When checking for **inaccurate data**, a school should cross-reference its draft loan record detail report with its records and information from outside sources, including but not limited to lenders, borrowers, guaranty agencies, the Department's Direct Loan servicer, and other schools where former students are enrolled. Based on this information, the school should verify that there is no incorrect data in the loan record detail report. The school should, for example, verify:

- ◆ that the loans included in the draft loan record detail report are **correctly reported** (e.g., verify that the dates entered repayment and default dates are correct);

AND/OR

- ◆ that loans that should not have been included were **omitted** from the draft loan record detail report.



If a school finds what it believes to be errors in the draft loan record detail report, the school is eligible to submit a draft data challenge within **45 calendar days²** of receiving its draft cohort default rate hardcopy loan record detail report.

A draft data challenge should be submitted to **each** relevant entity that currently holds the loan or maintains the guaranty on the loan for which an error has been identified. The entity responsible for responding to challenges on a loan is identified by the guarantor/servicer code on the loan record detail report. Guaranty agency/servicer contact information is listed numerically in "Appendix A1" and alphabetically in "Appendix A2". A school should submit a draft data challenge using the addresses listed in "Appendix A1".

Please refer to the section entitled "Draft Data Challenge" on page 86 for more information on submitting a draft data challenge.

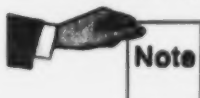
² 34 CFR 668.17(j)(3)(i), 64 Fed. Reg. 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

How does the Department produce loan record detail reports?

The Department produces loan record detail reports using loan information that has been electronically submitted to NSLDS by guaranty agencies and various offices within the Department.

Will a school's draft cohort default rate data and official cohort default rate data be the same?

Not necessarily. Since NSLDS is regularly updated, a school's **draft** data might differ from its **official** data, even if a school does not challenge its draft cohort default rate.



If incorrect new data appears in a school's official cohort default rate calculation, the school may be eligible to challenge/appeal its official cohort default rate based on allegations of incorrect new data after the official cohort default rates are released.

Please refer to the "New Data Adjustment" and "Erroneous Data Appeal" sections in the *Official Cohort Default Rate Guide*, which will be mailed with a school's official cohort default rate, for additional information on appealing an official cohort default rate based on allegations of incorrect new data.

Are the loan record detail reports subject to the Privacy Act?

Yes, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all cohort default rate related loan record detail reports, since these reports contain personally identifying information about borrowers who received FFEL Program and/or Direct Loan Program loans. The use of this material may also be governed by state and local laws and regulations. Recipients should take appropriate steps to safeguard this material, guarantee that it is used appropriately, and ensure that if it is discarded, it is done so properly.

How does a school read a loan record detail report?

There are three sections to a loan record detail report. The sections are the title, body, and summary. Each section is explained in depth on the following pages. In addition, a full page sample of the loan record detail report is shown on page 61.

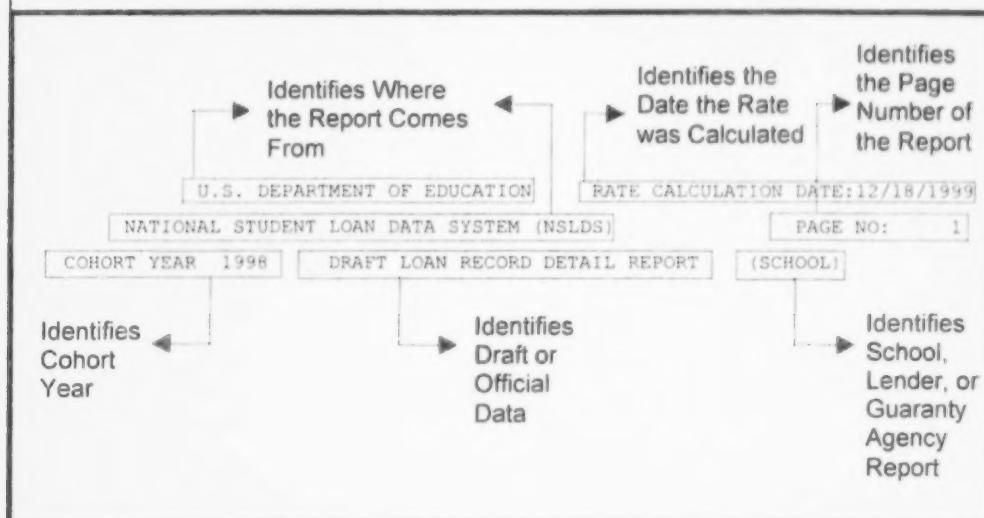
TITLE

The title section is located at the top of each page of the loan record detail report. This section provides information about the report.

The first line of the title section identifies that the loan record detail report is produced by the **U.S. Department of Education**. The first line also identifies the **Rate Calculation Date**. This is the date that the cohort default rate reflected on the loan record detail report was calculated. The Rate Calculation Date is also known as the run date.

The second line of the title section identifies that the data on the loan record detail report is generated from the **National Student Loan Data System (NSLDS)**. It also identifies the **Page Number**.

The third line of the title section identifies the **Cohort Year** associated with the loan record detail report. It also identifies whether the loan record detail report represents draft or official cohort default rate data (**Draft Loan Record Detail Report** or **Official Loan Record Detail Report**). The third line of the title section also identifies that the loan record detail report contains information related to a school's (**School**) cohort default rate rather than a lender or guaranty agency's cohort default rate.



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The title section on the first page of the loan record detail report also provides specific information about the school associated with the data contained in the report.

The fourth line of the title section on the first page of the report identifies, if applicable, whose **Attention** the loan record detail report should be directed to at the school. This line also identifies the school's **Organization ID Number**, which is the same as the OPE (Office of Postsecondary Education) ID Number. The next four lines listed on the loan record detail report contain the school's **Name, Address, City, State, Country, and Postal Code**. The last line also lists the **Program Type**. The Program Type identifies the type of loans included in the loan record detail report. Finally, the last line provides the number of **Years** used to calculate the school's cohort default rate.

**Note**

All draft cohort default rates are based on one year of data since the Department does not calculate average draft cohort default rates.

Attention: JOHN DOE		Organization ID Number: 11111100	
Name: ELECTRICAL TRAINING INSTITUTE			
Address: 1234 MAIN STREET			
City: LEONARDTOWN		State: WI	
Country: USA	Postal Code: 12345-6789	Program Type: FFEL/DL	Years: 1

Identifies the School's OPE ID Number

Identifies the School's Address

Identifies the Type of Loans Included in the Loan Record Detail Report

Identifies the Number of Years Used to Calculate the Cohort Default Rate

Please refer to page 61 for a composite representation of the title section of the loan record detail report.

BODY

Following the title section, on each page of the loan record detail report, are two horizontal rows set off by hashed lines. These rows contain headers for the data contained in the body of the report. The headers are shown below.

Header Representing First Row of Data Elements													

STUDENT				Original		CLASS		Academic					
SSN	Last name			First/M.I.	D.O.B	School	Begin Date	End Date	Level				

LENDER/SERVICER/HOLDER				Loan	Claim Rsn/	DEFAULT/	Guarantor/ Guaranty Enrollment Stat/ Usage						
Originating	Current	Type	Stat Code	NegAm	Date	Repay Date	Amount	Servicer	Loan/Date	Code	Date	1	2

Header Representing Second Row of Data Elements													

The data listed under the headers are information on the loans used to calculate the school's cohort default rate. The headers correspond to the various data elements provided for each loan. Each loan has two rows of information.

STUDENT				Original		CLASS		Academic						
SSN	Last name		First/M.I.	D.O.B	School	Begin Date	End Date	Level						
LENDER/SERVICER/HOLDER		Loan	Claim Rsn/	DEFAULT/	Guarantor/		Guaranty	Enrollment	Stat/	Usage				
Originating	Current	Type	Stat	Code	NegAm	Date	Repay Date	Amount	Servicer	Loan/Date	Code	Date	1	2

First Row of
Loan Data

0222-22-2222

SMITH

ALICE

10/21/1951

11111100

08/25/1996

05/11/1997

2

0101

555

D1

DU

IX

02/20/1999

10/01/1997

\$3,000

0101

09/30/1996

G

12/15/1998

B

DB

Second Row of Loan Data

Each of the data elements listed on the loan record detail report is described in detail on the following pages.

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The first row of loan data contains eight elements.

The first four elements in the first row of loan data identify the borrower associated with the loan. These elements are the borrower's:

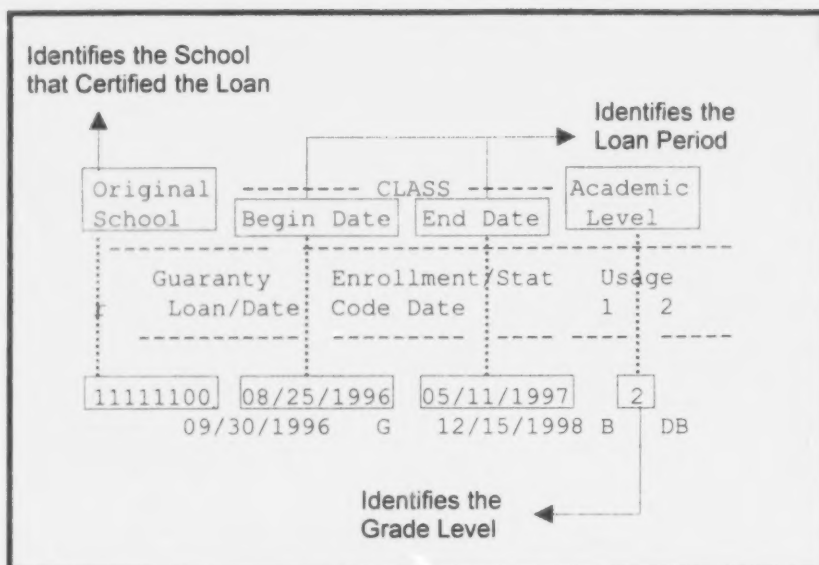
- ◆ **SSN** (Social Security Number);
- ◆ **Last Name**;
- ◆ **First/M.I.** (First Name and Middle Initial);
- AND
- ◆ **D.O.B.** (Date of Birth).

Identifies Borrower's Social Security Number				Identifies Borrower's First Name and Middle Initial			
STUDENT							
SSN	Last name			First/M.I.	D.O.B		
0 - LENDER/SERVICER/HOLDER Loan - Claim Rsn/ DEFAULT/							
Originating		Current	Type	Stat	Code	NegAm	Date
0222-22-2222		SMITH				ALICE	10/21/1951
0101		555	D1	DU	IX	02/20/1999	10/01/1997
Identifies Borrower's Last Name				Identifies Borrower's Date of Birth			

The last four elements in the first row of loan data identify:

- ◆ the **Original School**, which is the OPE ID number of the school that certified the loan;
- ◆ the **Class Begin Date** and **Class End Date**, which reflect the loan period of the loan;
- AND
- ◆ the **Academic Level**, which reflects the grade level of the borrower when the loan was obtained.

Academic Level	
Code	Description
1	Freshman/First Year
2	Sophomore/Second Year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other
A	First Year Graduate/Professional
B	Second Year Graduate/Professional
C	Third Year Graduate/Professional
D	Beyond Third Year Graduate/Professional
G	Graduate/Professional
N	Not Available



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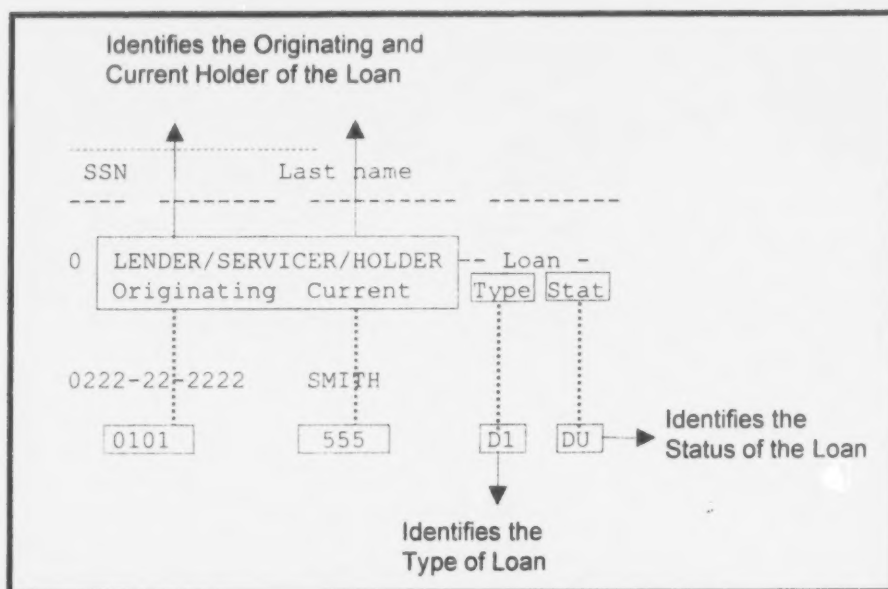
The second row of loan data contains 14 elements.

The first four elements in the second row of the loan data identify:

- ◆ the **Originating Lender/Servicer/Holder** which represents the entity that provided the loan to the borrower;
- ◆ the **Current Lender/Servicer/Holder** which represents the last entity to hold the loan at the time the cohort default rate was calculated;
- ◆ the **Loan Type**, which identifies whether the loan is an FFEL Program loan or Direct Loan Program loan and whether or not the loan is subsidized;

AND

- ◆ the **Loan Stat**, which identifies the repayment/default status of the loan at the time the cohort default rate was calculated.



Note

The current holder for ALL **defaulted** Direct Loan Program loans is the Department (represented by a "555" current holder code). However, all inquiries regarding Direct Loan Program loans should be sent to the Department's Direct Loan servicer at the address provided in "Appendix A1".

Loan Type Codes

Code	Description
CL	FFEL Consolidated Loan
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
D4	Direct Loan PLUS Loan
D5	Direct Loan Consolidated Unsubsidized Stafford Loan
D6	Direct Loan Consolidated Subsidized Stafford Loan
D7	Direct Loan Consolidated PLUS Loan
PL	FFEL PLUS Loan
RF	FFEL Refinanced Loan
SF	FFEL Subsidized Stafford Loan
SL	FFEL Supplemental Loans for Students Loan
SU	FFEL Unsubsidized Stafford Loan

Loan Status Codes

Code	Description
AE	Assigned to the U.S. Department of Education
BC	Bankruptcy Claim, Discharged
BK	Bankruptcy Claim, Active
CA	Cancelled
DA	Deferred
DB	Defaulted, then Bankrupt, Active, Chapter 13
DC	Defaulted, Compromise
DD	Defaulted, then Died
DE	Death
DI	Disability
DK	Defaulted, then Bankrupt, Discharged, Chapter 13
DL	Defaulted, in Litigation
DO	Defaulted, then Bankrupt, Active, Other
DP	Defaulted, Paid-In-Full
DS	Defaulted, then Disabled
DT	Defaulted, Collection Terminated
DU	Defaulted, Unresolved
DW	Defaulted, Write-Off
DX	Defaulted, Six Consecutive Payments
FB	Forbearance
ID	In School or Grace Period
OD	Defaulted, then Bankrupt, Discharged, Other
PC	Paid-In-Full through Consolidation Loan
PF	Paid-In-Full
RF	Refinanced
RP	In Repayment
UI	Uninsured

The next three elements in the second row of loan data identify:

- ◆ the **Claim Reason Code**, which identifies why a claim was paid on an FFEL Program loan or if a Direct Loan Program loan has defaulted or, for non-degree granting proprietary schools, if a Direct Loan Program loan has entered into an income contingent repayment plan with payments less than fifteen dollars per month that has resulted in negative amortization;
- ◆ the **Default/NegAm Date**, which identifies the date a default claim was paid on an FFEL Program loan or for cohort default rate purposes the day a Direct Loan Program loan has defaulted or, for non-degree granting proprietary schools, the day the Direct Loan Program loan is considered in default due to an income contingent repayment plan with payments of less than fifteen dollars per month that resulted in negative amortization;



The Default/NegAm Date determines if a loan is included in the **numerator** of the cohort default rate calculation.

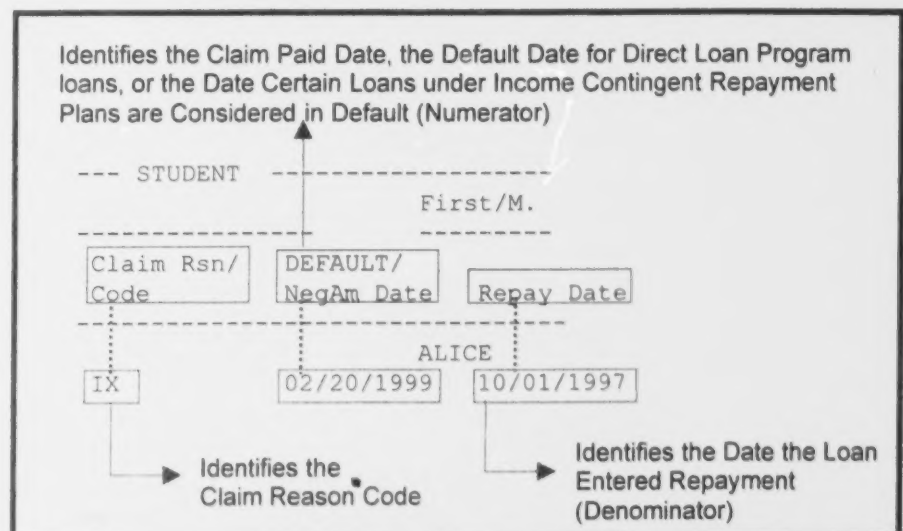
AND

- ◆ the **Repay Date**, which identifies the date the borrower entered into repayment on the loan.



The Repay Date determines if a loan is included in the **denominator** of the cohort default rate calculation.

Claim Reason Codes	
Code	Status
BC	FFEL Bankruptcy, Chapter 13
BO	FFEL Bankruptcy, Other
CS	FFEL Closed School
DE	FFEL Death
DF	FFEL Default
DI	FFEL Disability
EX	FFEL Exempt
FC	FFEL False Certification
IN	Direct Loan, Income Contingent Negative Amortization for non-degree granting proprietary schools
IX	Direct Loan, Defaulted Loan



The next three elements in the second row of loan data identify:

- ◆ the **Amount**, which identifies the original amount of the loan;
- ◆ the **Guarantor/Service**, which identifies the entity that is responsible for responding to a school's inquiry about the status of the loan;



Note

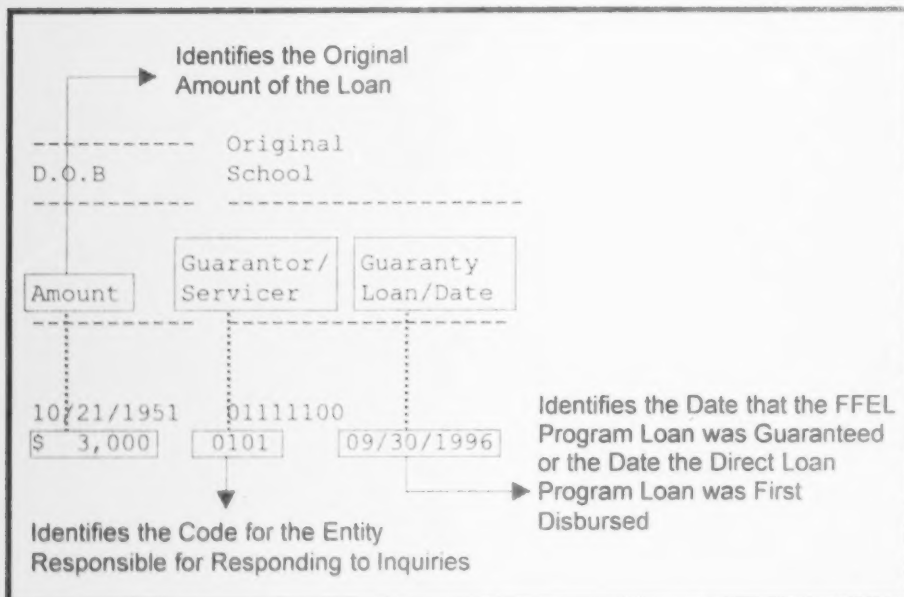
The entities responsible for responding to a school's inquiries are:

- 1) guaranty agencies;
- 2) the Department's Default Management Division;
AND
- 3) the Department's Direct Loan servicer.

A school should submit draft data challenges to these organizations at the addresses provided beginning on page 3 of "Appendix A1".

AND

- ◆ the **Guaranty Loan/Date**, which identifies the date that the guaranty agency insured an FFEL Program loan or the first date of disbursement for a Direct Loan Program loan.



If a loan is considered in default due to the default of a consolidation loan, to which entity should the school submit its challenge – the entity that guaranteed the loan or the original loan or the entity that guaranteed/insured the consolidated loan?

If a school is challenging the date the original loan entered repayment, it should address its challenge to the entity identified by the guaranty loan report on the loan record detail report as the original loan. If a school is challenging the date the status of the consolidated loan, it should address the challenge to the entity identified by the guaranty loan report on the loan record detail report as the consolidated loan.

The loan record detail report is available at www.ed.gov.

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Enrollment Status Code	
Code	Description
A	Approved leave of absence
D	Deceased
F	Full-time
G	Graduated
H	Half-time or more, but less than full time
L	Less than half-time
N	Not available
W	Withdrawn
X	Never attended
Z	No record found

Usage Code 1 Cohort Default Rate Usage	
Code	Description
D	Denominator only
B	Both Numerator and Denominator
N	Not Used
E	Eligible, but not counted

Usage Code 2 FFEL Program and/or Direct Loan Program Usage	
Code	Description
FD	FFEL Program Denominator only
FB	FFEL Program Numerator and Denominator
DD	Direct Loan Program Denominator only
DB	Direct Loan Program Numerator and Denominator
IC	Direct Loan Program NegAm/ICR Numerator and Denominator
N	Not Used (FFEL Program and/or Direct Loan Program)
E	Eligible, but not counted (FFEL Program and/or Direct Loan Program)

The final four elements in the second row of loan data identify:

- ◆ the **Enrollment Stat Code**, which identifies the borrower's enrollment status at the time the cohort default rate was calculated;
- ◆ the **Enrollment Stat Date**, which indicates the last date the borrower's enrollment status changed. If no data is available, the guaranty agency or Direct Loan servicer may use 01/01/1900;



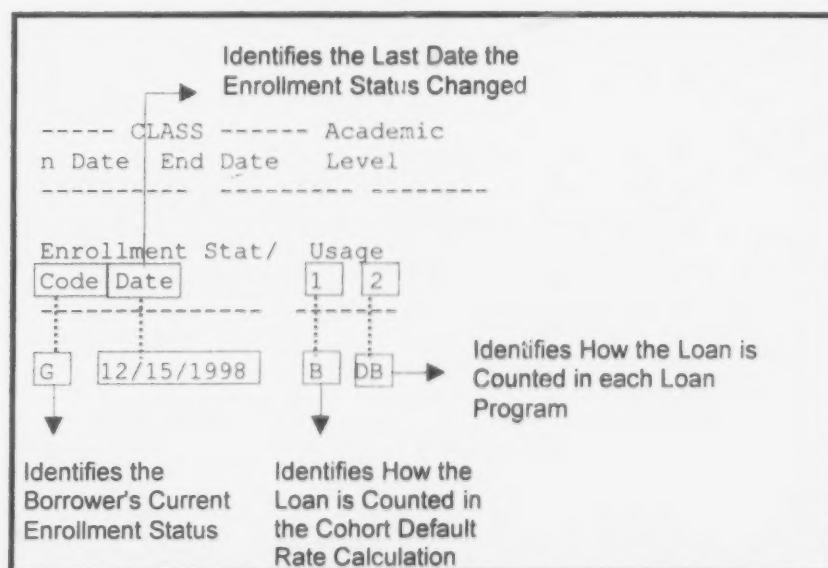
Note

The enrollment status code and date do not necessarily reflect the borrower's enrollment at the school reported on the loan record detail report. The enrollment status code and date may reflect subsequent enrollment by the borrower at a different school.

- ◆ the **Usage code 1**, which identifies how the loan is used in the school's cohort default rate calculation. The school's cohort default rate calculation is summarized on the final page of the report;

AND

- ◆ the **Usage code 2**, which identifies how the loan is counted in each individual loan program (i.e., the FFEL Program and/or the Direct Loan Program). The individual loan program count is summarized on the final page of the report.



Please refer to page 61 for a composite representation of the body section of the loan record detail report.

SUMMARY

The last page of the loan record detail report provides a summary of the data contained in the report.

The first line of the summary provides the **Total Dollars in Default**. The FFEL Program and Direct Loan Program entries within this field indicate the total outstanding principal balance (including any interest that has accrued on the loan since it went into default) for the defaulted loans that are included in the cohort default rate calculation. The Dual Program entry represents the outstanding principal balance for only one defaulted loan for each borrower included in the cohort default rate calculation.

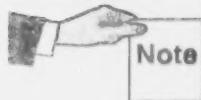
The second line of the summary provides the **Total Dollars in Repayment**. The FFEL Program and Direct Loan Program entries within this field indicate the total dollar volume for loans that have entered repayment during the cohort period in question. The Dual Program entry represents the dollars in repayment for only one loan for each borrower included in the cohort default rate calculation.

The third line of the summary provides the **Total Insurance Claim Payments** for FFEL Program loans. The Total Insurance Claim Payments for FFEL Program loans indicates the actual amount of the claims that the guaranty agency paid. This amount may not equal the Total Dollars in Default for FFEL Program loans since the Total Dollars in Default includes interest that has accrued on the loan(s) since the loan(s) went into default. The Total Insurance Claim Payments does not include this additional amount.

	Identifies the Individual Program Titles		
	FFEL	DIRECT	DUAL
Identifies the Total Dollars in Default Including Accruing Interest			
TOTAL DOLLARS IN DEFAULT:	7,900	5,500	12,500
TOTAL DOLLARS IN REPAYMENT:	28,400	11,365	31,365
TOTAL INSURANCE CLAIM PAYMENTS: 6,000			
Identifies the Total Amount of the Claims Paid			
			Identifies the Total Dollars in Repayment

The fourth line of the summary provides the **Actual Numerator Count** and the **Report Count** for the numerator of the cohort default rate calculation. The Actual Numerator Count is the total number of unduplicated borrowers included in the numerator of the cohort default rate calculation. The Report Count for the numerator represents the unduplicated borrowers listed on the loan record detail report with a "B" in the Usage Code 1 field.

The fifth line of the summary provides the **Actual Denominator Count** and the **Report Count** for the denominator of the cohort default rate calculation. The Actual Denominator Count is the total number of unduplicated borrowers included in the denominator of the cohort default rate calculation. The Report Count for the denominator represents the unduplicated borrowers listed on the loan record detail report with a "D" or "B" in the Usage Code 1 field.



The Actual Counts will be the same as the Report Counts on a school's **draft** loan record detail report. However, the counts may differ on the official loan record detail report if the school's official cohort default rate was changed due to a cohort default rate appeal. The changes resulting from the cohort default rate appeal are reflected in the actual counts **BUT** not in the report counts.

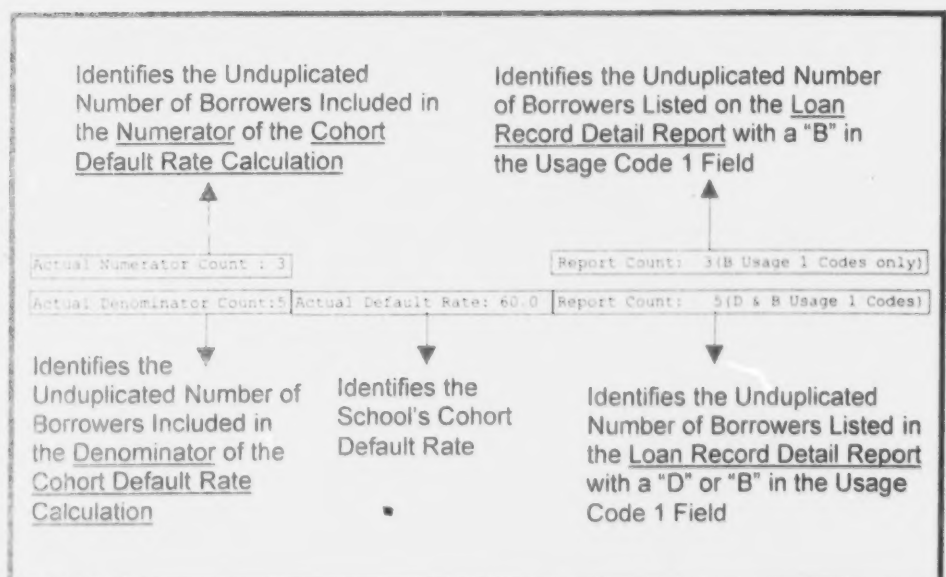
The fifth line of the summary also provides the **Actual Default Rate**. The Actual Default Rate is, in most cases, the school's cohort default rate. However, if a school has 29 or fewer borrowers entering repayment in the cohort period in question or if the school has a combined, substituted, or merged cohort default rate, the Actual Default Rate will not reflect the school's cohort default rate.

Q How does a school determine what its cohort default rate is if the school has 29 or fewer borrowers entering repayment?

A For details on how to calculate a school's average cohort default rate, please refer to the "Cohort Default Rates" section on page 14. A school will need its FY 1996, FY 1997, and FY 1998 actual cohort default rates to determine its FY 1998 average cohort default rate.

Q How does a school determine what its cohort default rate is if the school has a combined, substituted, or merged cohort default rate?

A A school should refer to its official cohort default rate notification letter for details regarding its combined, substituted, and/or merged cohort default rate.



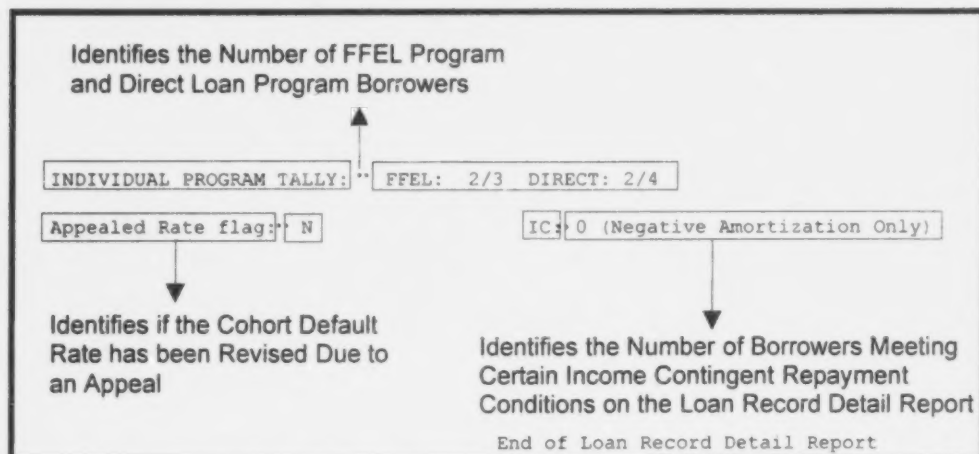
The sixth line of the summary provides the **Individual Program Tally**. The Individual Program Tally is NOT a school's cohort default rate—it is purely informational to tell the school the number of loans identified with each loan program and the number of those loans that have defaulted or met other specified conditions. A count is provided for both FFEL Program and Direct Loan Program borrowers if a school has loans entering repayment from each loan program.

**Note**

A school does not select whether it has an FFEL Program cohort default rate or a Direct Loan Program cohort rate. The rate is based on **all** of the loans that enter repayment in a given cohort period.

The seventh line of the summary provides the **Appealed Rate Flag**. The Appealed Rate Flag indicates whether the cohort default rate has been changed due to a cohort default rate appeal. This flag will be an "N" for all **draft** cohort default rates since schools do not have the opportunity to appeal the cohort default rates prior to receiving the cohort default rate loan record detail report.

The seventh line of the summary also provides the **IC** field. The IC field identifies the number of Direct Loan Program borrowers in the cohort period in question, who attended a **non-degree granting proprietary school**, that are considered in default because they have been under an income contingent repayment plan for a specified period of time with scheduled monthly payments that are less than fifteen dollars and less than the interest accruing on the loan, resulting in negative amortization. If the school is NOT a non-degree-granting proprietary school, OR if it does not have any borrowers meeting these criteria, this field will be zero.



Please refer to page 61 for a composite representation of the summary section of the loan record detail report.

Appealed Rate Flag	
Code	Description
D	Direct – School altered cohort default rate due to its own appeal
I	Indirect – School cohort default rate altered due to an appeal filed by a different school in a combination/substitution/merger
N	No appeal – School cohort default rate not altered by an appeal
U	Unknown – Appeal status unknown for cohort default rate prior to FY 1993

Sample Loan Record Detail Report

Body Data Element Headers

Title

U.S. DEPARTMENT OF EDUCATION
 NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)
 COHORT YEAR 1998 DRAFT LOAN RECORD DETAIL REPORT (SCHOOL)
 RATE CALCULATION DATE: 12/18/1999
 PAGE NO: 1
 Attention: JOHN DOE Organization ID Number: 11111100
 Name: ELECTRICAL TRAINING INSTITUTE
 Address: 1234 MAIN STREET
 City: LEONARDTOWN State: WI
 Country: USA Postal Code: 12345-6789 Program Type: FFEL/DL Years: 1

SSN	Last name	First/M.I.	D.O.B	Original School	Begin Date	End Date	Academic Level
0222-22-2222	SMITH	ALICE	10/21/1951	11111100	08/25/1996	05/11/1997	2
0101	555	D1 DU	IX	02/20/1999	10/01/1997	\$ 3,000	0101 09/30/1996 G 12/15/1998 B DB
0333-33-3333	BAKER	EMILY	10/21/1977	11111100	08/25/1997	05/11/1998	1
8000040000	8000040000	SF RP	00/00/0000	05/16/1998	\$ 2,625	111 08/25/1997 Z	01/01/1900 D FD

	FFEL	DIRECT	DUAL	
TOTAL DOLLARS IN DEFAULT :	7,900	5,500	12,500	(Based on Outstanding Principal Balance)
TOTAL DOLLARS IN REPAYMENT :	28,400	11,365	31,365	(Based on Outstanding Principal Balance)
TOTAL INSURANCE CLAIM PAYMENTS:	6,000			
Actual Numerator Count :	3		Report Count :	3 (B Usage 1 Codes only)
Actual Denominator Count:	5	Actual Default Rate: 60.0	Report Count :	5 (D & B Usage 1 Codes)
INDIVIDUAL PROGRAM TALLY: FFEL:	2/3	DIRECT:	2/4	
Appealed Rate flag: N			IC: 0	(Negative Amortization Only)
		End of Loan Record Detail Report		

Body Data Elements

Summary

Electronic Loan Record Detail Reports

What is an electronic loan record detail report?

An electronic loan record detail report is an electronic version of the hardcopy loan record detail report a school receives with its cohort default rate. The electronic report provides schools with a more efficient way to review, sort, and analyze its cohort default rate data.

This report contains the same information as the hardcopy loan record detail report.

Please refer to the "Loan Record Detail Report" section beginning on page 43 for a description of the data elements contained in the electronic loan record detail report.

How can a school obtain an electronic copy of the loan record detail report?

At this time, an automated process is not in place that enables the Department to provide schools with an electronic version of the loan record detail report at the same time the school receives its cohort default rate. However, a school can request an electronic version of the loan record detail report by contacting NSLDS Customer Service at (800) 999-8219 or nsldscoe@raytheon.com.



The Department expects to modify the Title IV WAN enrollment document to allow schools to request an electronic version of the loan record detail report. If a school requests an electronic version of the loan record detail report through the revised enrollment document, the Department will provide the school with an electronic version of the loan record detail report at the time the cohort default rates are released, rather than a hardcopy version of the report. The revised enrollment document should be available by July 2000.

What is the format of the electronic loan record detail report?

The electronic loan record detail report will be available as a preformatted print file or as a data file. The preformatted print file will generate a report that is representative of the hardcopy loan record detail report. The data file will allow a school to customize the report based on the school's needs. The file layout for the data file will be provided to the school at the time the school receives the electronic loan record detail report.

What benefit does a school gain from requesting an electronic loan record detail report?

An electronic loan record detail report will provide schools a more efficient way to review, sort, and analyze its cohort default rate data. In addition, since the electronic loan record detail report will eventually replace the hardcopy loan record detail report, it is important to become familiar with the features of the electronic version of the report.

Will the time frames associated with challenging cohort default rate data be based on the receipt of the electronic loan record detail report?

No. The time frames to challenge cohort default rate data are based on the receipt of the school's hardcopy loan record detail report.

Student Repayment History Reports

What is a student repayment history report?

The student payment history report is an electronic report that provides schools with borrower repayment history. Specifically, the report identifies students who have obtained Federal Family Education Loan (FFEL) Program loans and/or a William D. Ford Direct Loan (Direct Loan) Program loans to attend a specific school and have entered into repayment on the loan in the first 12 months of the most recent 24-month period.

Which schools are able to obtain a student repayment history?

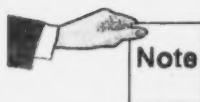
Electronic student repayment histories will be available for **all schools** that participate in any of the Title IV student financial assistance programs and have students who entered into repayment on FFEL Program and/or Direct Loan Program loans during the first 12 months of the most recent 24-month period.

What information is provided as a part of the student repayment history report?

A student repayment history report includes data on those loans that entered repayment in the first 12 months of the most recent 24-month period. The data associated with each loan is the same data provided on the cohort default rate loan record detail report.

Please refer to pages 50 through 56 of the "Loan Record Detail Report" section for a detailed description of the data elements included in the report.

The data contained in the student repayment history report may be customized depending on the user's needs. A school can choose to access a report that only includes those students in repayment or only those students in default. A school can also choose to download the data file and create additional customized reports.



The file layout for the Student Repayment History Report data file is available at www.ifap.ed.gov.

Please refer to page 69 for instructions on how to access and download the Student Repayment History Report.

Upon what time period is the student repayment history report based?

The student repayment history report provides data on those borrowers who entered repayment on FFEL Program and Direct Loan Program loans during the first 12 months of the most recent 24-month period. The history also identifies whether the students listed on the report *defaulted or met other specified conditions* at any time during the most recent 24-month period.

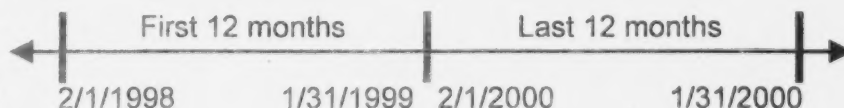
When is a loan considered to have "defaulted or met other specified conditions"?

For information on the definition of default and other specified conditions, please refer to page 21 of the "Cohort Default Rate" section.

Student Repayment History

The following is an example of the time period covered by a student repayment report.

Most Recent 24-Month Period



It is important to note that the student repayment history report is NOT the same as the cohort default rate calculation and does not always provide data that coincides with the fiscal year data used to calculate cohort default rates. The student repayment history report is provided solely for a school's information and may not be used by the school or the Department in any administrative procedure or for any other purpose.

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Will a school be able to access multiple student repayment history reports based on different time periods?

No. A school will only be able to access the student repayment history report based for the most recent 24-month period.

However, a school will be able to obtain student repayment history summary level data based on prior 24-month periods. The summary level data will be available for a maximum of 17 24-month periods. The summary level data will not include a detailed report but will indicate the number of borrowers who entered repayment in the first 12 months of the previous 24-month periods and the number of those borrowers who defaulted in the 24-month periods.

The following chart identifies the summary level data that will be available in the National Student Loan Data System (NSLDS) between January and December 2000.

Student Repayment Summary Level Data Chart	
Student Repayment History Period	Date Available
1/1/98 - 12/31/99	January 2000
2/1/98 - 1/31/00	February 2000
3/1/98 - 2/28/00	March 2000
4/1/98 - 3/31/00	April 2000
5/1/98 - 4/30/00	May 2000
6/1/98 - 5/31/00	June 2000
7/1/98 - 6/30/00	July 2000
8/1/98 - 7/31/00	August 2000
9/1/98 - 8/31/00	September 2000
10/1/98 - 9/30/00	October 2000
11/1/98 - 10/31/00	November 2000
12/1/98 - 11/30/00	December 2000



Note

A specific detailed Student Repayment History Report is only available until the release of the next Student Repayment History Report. In addition, to ensure that summary level student repayment history data is not confused with cohort default rate data, the summary level data associated with a student repayment history report that represents a time period that coincides with a cohort default rate time period will become unavailable the month before the Department issues the draft cohort default rate data for that time period.

What are the benefits of using the student repayment history reports?

The student repayment history reports can assist schools in:

- ◆ **monitoring when students enter repayment.** Schools that monitor students' repayment status can use the information to make sure that the students that have just entered repayment are aware of all of the possible repayment, deferment, and/or forbearance options that are available. This information can help a student avoid default.

AND

- ◆ **ensuring the data reported to NSLDS is accurate.** Schools that monitor students' repayment and default status can contact lenders/guaranty agencies/servicers as errors occur instead of waiting until the release of the draft cohort default rates to correct inaccuracies.



The student repayment history reports will not identify which borrowers are in a delinquent status. The school should contact its guaranty agency and/or the Direct Loan servicer to determine which borrowers are in a delinquent status.

Does the student repayment history data represent a school's cohort default rate?

No. The student repayment history data does NOT represent the school's cohort default rate. The student repayment history is provided solely as a service to help schools track and correct errors associated with borrowers who recently entered repayment on student loans. The Department will continue to calculate cohort default rates at the prescribed intervals and will base the cohort default rate calculation on data that is in NSLDS at the time of the calculation.



The student repayment history may NOT be used by schools or the Department to determine any sanctions or benefits that may be associated with official cohort default rates.

How can a school access the student repayment history report?

The following provides step-by-step instructions on how to access the Student Repayment History Summary Level Data and the detailed Student Repayment History Report.

Step 1: Log onto the Department's NSLDS website at www.NSLDSFAP.ed.gov.



To obtain an NSLDS user-id and password, a school must complete the enrollment document for the Student Aid Internet Gateway (SAIG). Users may contact the Title IV WAN Customer Service Center at (800) 615-1189 for assistance with the enrollment document.

Step 2: Once logged onto NSLDS, to access the Student Repayment History Summary Level Data, select the **ORG** tab at the top of the screen and then select **Repayment Information**.



Once **Repayment Information** is selected, the screen will display the summary level student repayment history data for each of the available 24-month periods associated with the school that requested the data.

Step 3: To access the detailed Student Repayment History Report for the most recent 24-month period, either:

- ◆ select the **Goto Report Selection** from the **Repayment Information** screen

The following information reflects the current repayment status of certain borrowers in FFEL and Direct Loan Programs who attended a school during a specific period. This information has no relationship to the calculation of a Draft or final cohort default for a school and will not be used in that Process. This data is provided solely for informational purposes and may not be used in any administrative procedure. The information reported is based on information provided by the guaranty agency that guaranteed the loan or by the Direct Loan Servicer.

To request the latest to date loan detail report click here

[Goto Report Selection](#)

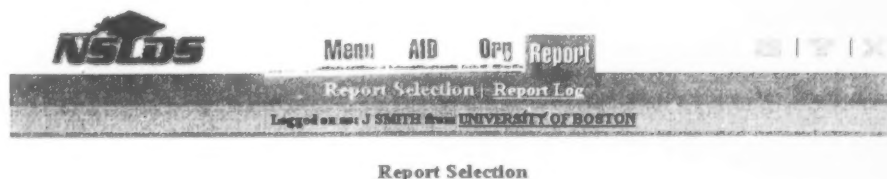
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OR

- ◆ select the **Report** tab at the top of the screen and then select **Report Selection**



Step 4: If the Student Repayment History Report is accessed through the **Report** tab/**Report Selection**, select the **School Repay Info Loan Detail** report to view the Student Repayment History Report.



Report ID	Name	Log Page
1 DRC015	2028 SCHOOL REPAY INFO LOAN DETAIL	▶



Note For questions about the NSLDS website or accessing the Student Repayment History Summary Level Data or Student Repayment History Report, contact NSLDS Customer Service at (800) 999-8219 or nsldscoe@raytheon.com.

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Challenges At-A-Glance

Basis of Challenge

There are two types of challenges a school may submit once the draft cohort default rate data are released:

- ◆ a draft data challenge;
- AND
- ◆ a participation rate index challenge.

Eligibility to File a Challenge

ALL schools that receive draft cohort default rate data are eligible to submit a draft data challenge and/or a participation rate index challenge.



Note

If a school is submitting a challenge, it should consult the Department's regulations at www.ifap.ed.gov and read the sections within this Guide entitled "Draft Data Challenge" and "Participation Rate Index Challenge" beginning on pages 75 and 101, respectively.

Timing to Submit a Challenge

Timing is critical for all challenges. A school's receipt of its hardcopy draft cohort default rate data triggers regulatory deadlines. If a school misses the established deadlines, the school's challenge will NOT be reviewed.

The deadlines for draft challenges are all based on calendar days. Calendar days include federal business days, federal holidays, and weekends.

 How does the Department know when the time frame to submit a challenge has begun?

 The Department tracks the receipt of the hardcopy draft cohort default rate data and uses this information to determine the time frames for schools to challenge.

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When a number of days is given (for example, "within 45 calendar days"), it means the information must be **SENT** to the Department within the stated time period. If the submission due date falls on a weekend or a federal holiday, a school may send the information no later than the next federal business day.



Please note that the Department accepts deliveries from commercial couriers and/or hand deliveries Monday through Friday, 7:30 a.m. to 5:00 p.m. (Eastern Time).

Proof of Delivery

The Department recommends that a school send all challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its challenge. A school should maintain documentation verifying receipt of all challenge related material.

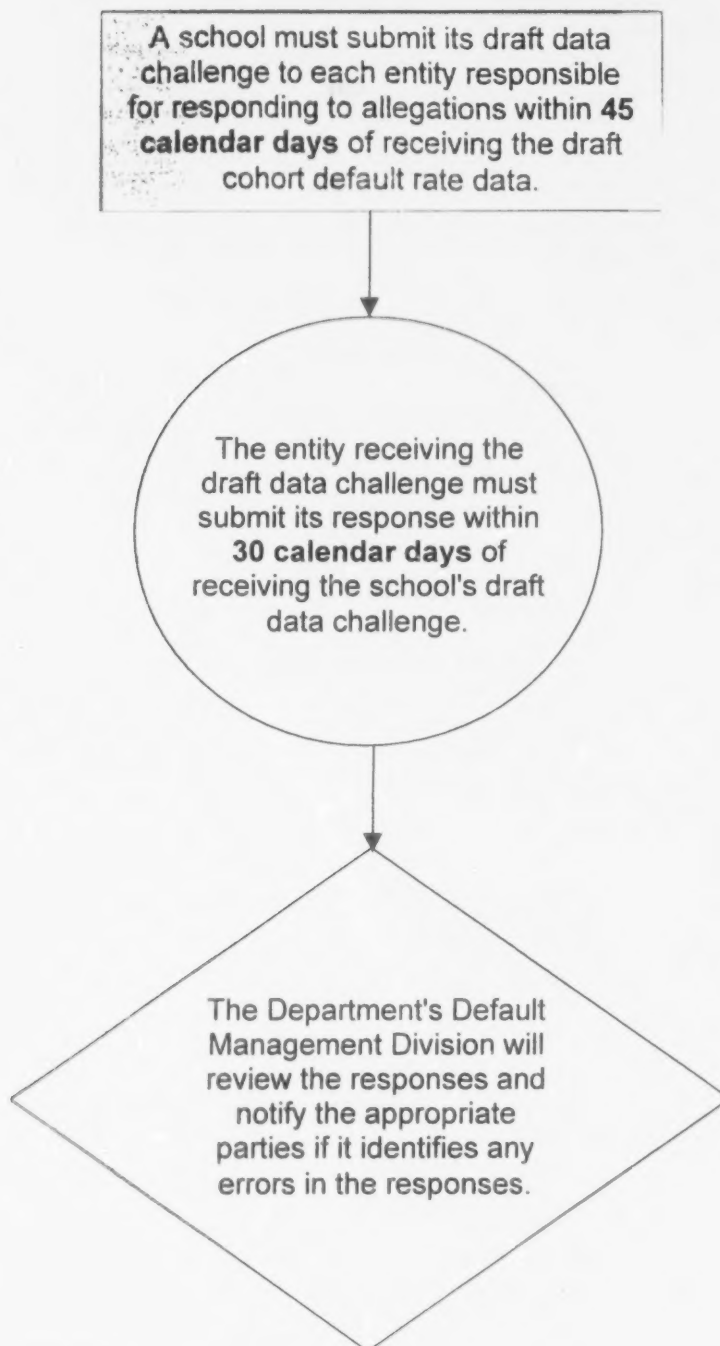


The Department will **NOT** accept any challenge correspondence by facsimile (fax) or e-mail.

Copies

The Department recommends that a school retain copies and delivery receipts for all challenge documents.

Draft Data Challenge Time Frames

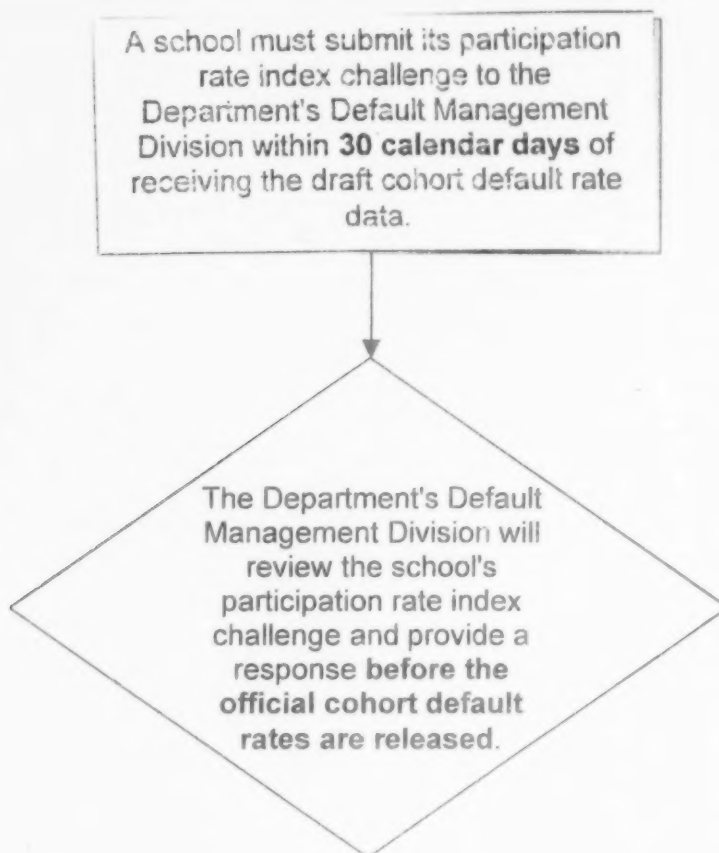


Blue Box = Time frames for schools

White Oval = Time frames for guaranty agencies/Direct Loan servicer

White Diamond = Department's action

Participation Rate Index Challenge Time Frames



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Blue Box = Time frames for schools
White Diamond = Department's action

Draft Data Challenge



QUALIFYING

What is a draft data challenge?

After the release of the draft cohort default rates, the Department provides schools an opportunity to review the draft cohort default rate data and, if necessary, work with the entity responsible for the loans included in the draft cohort default rate data to correct any errors. The process of correcting data included in the draft cohort default rates is called a draft data challenge. Since the draft data forms the basis for a school's official cohort default rate, it is important that a school review its draft cohort default rate data and if necessary submit a draft data challenge.

Which schools are eligible to submit a draft data challenge?

All schools, regardless of their cohort default rate, are provided the opportunity to review draft cohort default rate data and challenge the data. This includes schools with draft cohort default rates below 25.0 percent.

Which cohort default rates may a school challenge?

A school can only directly challenge the most recent (i.e., FY 1998) draft cohort default rate data. Schools that have 29 or fewer borrowers entering repayment are also limited to challenging only the current year's draft data.

Why should a school challenge its draft data?

Challenging draft cohort default rate data enables a school to request a correction to what it believes to be **inaccurate data** contained in the school's draft data.

It is important to correct inaccurate data through the draft data challenge process because:

- ◆ a school will not have a second opportunity to **challenge and correct the data**; therefore, the school needs to ensure that no discrepancies exist between the school's records, information obtained from outside sources, and the draft loan record detail report;

AND

- ◆ the loan information included in the draft cohort default rate will be used to calculate the school's **official cohort default rate**; therefore, it is critical to ensure the data is accurate since official cohort default rates can result in certain sanctions against the school or benefits for the school;

AND

- ◆ it will preserve a school's right to submit an **erroneous data appeal on the basis of disputed data** if the school is subject to sanctions after the release of the official cohort default rates.¹

What if a school does not challenge inaccurate draft data?

If a school fails to challenge inaccurate data in the draft loan record detail report, it may NOT challenge the inaccurate data at any other time.

 If a school receives a draft loan record detail report but has officially withdrawn from the FFEL Program and/or Direct Loan Program, should the school review the draft cohort default rate data?

 Yes. All schools that have borrowers entering repayment in a given fiscal year will receive draft data information and should review the data to ensure its accuracy. It is important to correct any errors found in the draft data because a school will not be given another chance to challenge and correct these errors and the school may be subject to certain consequences after the release of the official cohort default rates even if the school is no longer participating in the FFEL Program and/or Direct Loan Program.

¹ 34 CFR Section 668.17(j)(3)(v), 64 Federal Register 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

In addition, under the Department's regulations, a school subject to consequences associated with its official cohort default rates will lose its right to submit an erroneous data appeal on the basis of disputed data if the inaccuracies in question were present in the draft cohort default rate data, but the school failed to submit a challenge of those inaccuracies during the opportunity provided immediately following the release of the draft cohort default rate data.²



Even if a school does NOT challenge any inaccurate draft data immediately following the release of the draft cohort default rate data, the school's official cohort default rate may be **different** from the school's draft cohort default rate since the National Student Loan Data System (NSLDS) is regularly updated with new information from several sources. These changes are referred to as **new data** in the official cohort default rate. Beginning with the release of the FY 1998 official cohort default rates, new data may be addressed by all schools.

For additional information on addressing new data, refer to the "New Data Adjustment" and "Erroneous Data Appeal" sections in the *Official Cohort Default Rate Guide*, which will be mailed to schools with the official cohort default rates.

What is inaccurate data?

The term "inaccurate data" refers to information in a school's loan record detail report that is incorrect. Inaccurate data can also be loan information that was incorrectly excluded from the loan record detail report.

Inaccurate data may be identified if, in reconciling a school's draft loan record detail report against the school's records and information from outside sources, the school discovers that:

- ◆ a student is **reported incorrectly** in the cohort default rate calculation;
- AND/OR
- ◆ a student was **incorrectly omitted** from the calculation.

² 34 CFR Section 668.17(j)(3)(v), 64 Federal Register 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

Q: If a loan is considered in default due to the default of a consolidation loan, to which entity should the school submit its challenge -- the entity that guaranteed/originated the original loan or the entity that guaranteed/originated the consolidated loan?

A: If the school is challenging this data the original loan entered repayment, it should address its challenge to the entity identified by the guarantor/servicer code on the loan record detail report for the original loan. If the school is challenging the default status of the consolidation loan, it should address its challenge to the entity identified by the guarantor/servicer code on the loan record detail report for the consolidated loan.

The same entity is not always responsible for both loans.

What should a school do if it believes there are inaccuracies in its draft data?

If a school believes there are inaccurate data in the draft cohort default rate data, it should submit a draft data challenge to the entity responsible for the loan. The entity responsible for the loan is identified by the guarantor/servicer code that is reported on the loan record detail report for the loan in question.



Note

The entities identified by the **guarantor/servicer codes** in the loan record detail report includes guaranty agencies, the Department's Default Management Division, and the Department's Direct Loan servicer. "Appendix A" identifies the entity associated with each guarantor/servicer code.

Please refer to the "Timing and Submitting" portion of this section for detailed information on submitting a draft data challenge.

What role does a guaranty agency have in a school's draft data challenge?

A guaranty agency is required to respond to a school's timely submitted draft data challenge for those FFEL Program loans for which the agency currently maintains the guaranty.³



Note

A listing of the codes for the guaranty agencies and the addresses to send the draft data challenges is in "Appendix A1".

The agency must respond to the school's draft data challenge request within **30 calendar days** of receiving the request. If the guaranty agency does not respond within **30 calendar days**, the school should advise the Department's Default Management Division in writing of the delay.



Note

In its response to a school's request, the guaranty agency will address each of the school's allegations of inaccurate data. However, the guaranty agency is **NOT** required to respond to a draft data challenge if the 45 calendar day time frame for a school to submit such requests has expired.

Please refer to the "Information for Guaranty Agencies on Challenges" section beginning on page 121 for more information on guaranty agency responsibilities and the "Timing and Submitting" portion of this section beginning on page 86 for more information on the time frames associated with draft data challenges.

³ 34 CFR Section 668.17(j)(3)(ii), 64 Federal Register 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

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What role does the Department have in a school's draft data challenge?

The Department is responsible for responding to a school's draft data challenge if the challenge includes allegations regarding FFEL Program loans currently held by the Department and/or Direct Loan Program loans.

- ◆ The **Department's Default Management Division** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified in the loan record detail report with a guarantor/servicer code of **555**. The address to submit a draft data challenge to the Department's Default Management Division is provided in "Appendix A1."

- ◆ The **Department's Direct Loan servicer** is responsible for responding to schools' inquiries regarding **ALL Direct Loan Program loans**. These loans are identified in the loan record detail report with a guarantor/servicer code of **0101**. The address to submit a draft data challenge to the Department's Direct Loan servicer is provided in "Appendix A1."



Even though the **Current Lender/Servicer/Holder** code for defaulted Direct Loan Program loans is **555**, ALL inquiries regarding Direct Loan Program loans must be directed to the Direct Loan servicer.

The Department also reviews guaranty agency responses to schools' draft data challenges to ensure that the responses are correct. If the Department determines that the guaranty agency responses are not correct, the Department will notify the guaranty agency and the school prior to the release of the official cohort default rates that the guaranty agency's responses were incorrect and will provide the correct responses. The Department will instruct the guaranty agency to resubmit the corrected data to NSLDS and will inform the school that if the guaranty agency fails to make the corrections prior to the release of the official cohort default rates the Department will make the corrections after the official cohort default rates are calculated.

What if a school's draft data challenge is sent to the wrong entity?

If a school submits a draft data challenge to the wrong entity, the draft data challenge will NOT be reviewed and the school could miss the deadline for challenging the draft data.

A draft data challenge should be submitted to the entity responsible for the loan. The entity responsible for a loan is identified by the **guarantor/servicer code**, which is provided for each loan on the school's loan record detail report. Please refer to page 55 of the "Loan Record Detail Report" section for information on the location of the guarantor/servicer code on the loan record detail report. Guaranty agency/servicer contact information is listed numerically in "Appendix A1" and alphabetically in "Appendix A2." A school should submit a draft data challenge to the addresses listed in "Appendix A1."



A school should only send its draft data challenge to the Department's Default Management Division if the school is challenging FFEL Program loan data included in the loan record detail report with a guarantor/servicer code of 555.

What types of allegations may a school submit as a part of a draft data challenge?

The following are examples of various types of allegations of inaccurate data a school may submit as a part of its draft data challenge.



Borrower is missing from cohort default rate calculation

If a school believes that a borrower was **incorrectly omitted** from the cohort default rate calculation, it should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, along with proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer as required. In addition, the school should submit a copy of the loan record detail report demonstrating that the loan is missing from the cohort default rate calculation.

Please refer to page 20 of the "Cohort Default Rates" section for information on which borrowers should be included in the cohort default rate calculation.

◆ **Loan duplicated in cohort default rate calculations**

If a school believes that the **same loan** is reported in **two different cohort default rate calculations**, it should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, as well as proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer as required. In addition, the school should provide copies of the loan record detail reports from the two separate cohort periods to demonstrate that the loan was duplicated.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates Are Calculated" chart on page 24 of the "Cohort Default Rates" section for information on multiple loans for one borrower and page 56 of the "Loan Record Detail Report" section for information on how to identify how the loan is used in the cohort default rate calculation.

◆ **Loan reported with an incorrect date entered repayment**

If a school believes that the **date entered repayment** for a loan listed on the loan record detail report is incorrect, it should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, as well as proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer as required. In addition, the school should provide a copy of the loan record detail report demonstrating how the borrower is currently being used in the cohort default rate calculation and, if appropriate, a copy of the loan record detail report demonstrating where the borrower should be reported.

Please refer to page 20 of the "Cohort Default Rates" section for information on determining the correct date entered repayment and page 54 of the "Loan Record Detail Report" section for information on the location of the date entered repayment on the loan record detail report.



Borrower received an insufficient grace period or delinquency period

If a school believes that a borrower received an insufficient grace period or delinquency period, the school should determine if the borrower's date entered repayment and/or claim paid date for FFEL Program loans and default date for Direct Loan Program loans are correct. If the date entered repayment and/or claim paid date/default date are incorrect, the school should include documentation in its challenge to prove the correct date entered repayment and/or claim paid date/default date and, in the case of the date entered repayment, proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer as required. In addition, the school should provide a copy of the loan record detail report demonstrating how the borrower is currently being used in the cohort default rate calculation.

Please refer to pages 20 and 21 of the "Cohort Default Rates" section for information on calculating the date entered repayment and for information on the parameters of the claim paid date/default date, and page 54 of the "Loan Record Detail Report" section for information on the location of the date entered repayment and claim paid date/default date on the loan record detail report.



Loan incorrectly converted using date-specific and/or month-specific methodology

If the school believes a lender failed to use date-specific methodology to convert a loan into repayment, the school should submit the allegation as a part of its challenge. The school should include documentation in its challenge to prove the borrower's last day of attendance and the correct date entered repayment, as well as proof that the school timely submitted the change in enrollment documentation to the lender/guaranty agency/Direct Loan servicer as required.

In addition, the school should provide a copy of the loan record detail report demonstrating how the borrower is currently being used in the cohort default rate calculation and, if appropriate, a copy of the page from the loan record detail report demonstrating where the borrower should be reported.

Please refer to page 20 of the "Cohort Default Rates" section for information on calculating the date entered repayment and page 54 of the "Loan Record Detail Report" section for information on the location of the date entered repayment on the loan record detail report.

◆ **Federal SLS Loan and FFEL Program Stafford Loan entered repayment at different times**

If a school believes a Federal SLS loan and an FFEL Program Stafford loan given during the same period of continuous enrollment do not have the same date entered repayment, the school should include documentation in its challenge to prove that the loans have different repayment dates and documentation demonstrating that the loans were given during the same period of continuous enrollment. In addition, the school should provide a copy of the loan record detail report(s) demonstrating how the borrower is currently being used in the cohort default rate calculation.

Please refer to page 21 of the "Cohort Default Rates" section for information on how to determine the date entered repayment for Federal SLS and FFEL Stafford loans given during the same period of continuous enrollment and page 54 of the "Loan Record Detail Report" section for information on the location of the date entered repayment on the loan record detail report.

◆ **Cancelled loans included in the cohort default rate calculation**

If a school believes that a loan included in the cohort default rate calculation has been **cancelled**, it should include documentation in its challenge to prove that the loan was never disbursed or was fully refunded within 120 days of disbursement.

In addition, the school should provide a copy of the loan record detail report demonstrating how the borrower is currently being used in the cohort default rate calculation.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates Are Calculated" chart on pages 27 and 28 of the "Cohort Default Rates" section for information on the exclusion of cancelled loans from the cohort default rate calculation and page 56 of the "Loan Record Detail Report" section for information on how to identify how a loan is used in the cohort default rate calculation.

◆ **Discharged loans included as defaulted loans in the cohort default rate calculation**

If a school believes that a loan reported as a defaulted loan in the cohort default rate calculation was discharged due to death, bankruptcy and/or disability PRIOR to defaulting, it should include documentation in its challenge to prove that the loan was discharged prior to defaulting and proof that the lender/guaranty agency/Direct Loan servicer was timely notified of the incident that resulted in the discharge. In addition, the school should provide a copy of the page from the loan record detail report demonstrating how the borrower is currently being used in the cohort default rate calculation.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates are Calculated" chart on pages 26 and 27 of the "Cohort Default Rates" section for information on the exclusion of discharged loans due to death, bankruptcy and/or disability in the cohort default rate calculation and page 56 of the "Loan Record Detail Report" section for information on how to identify how a loan is used in the cohort default rate calculation.

◆ **Defaulted loan was repurchased by the lender**

If a school believes that a defaulted loan was repurchased by the lender and should be removed from the cohort default rate calculation, the school should determine why the loan was repurchased.

- ❖ If the loan was repurchased by the lender because the guaranty agency determined that the lender failed to meet the insurance requirements, the loan is an **uninsured loan**. The school should request that the loan be removed from the entire cohort default rate calculation.
- ❖ If the loan was repurchased because the lender incorrectly submitted the loan to the guaranty agency and the lender **immediately** requested the loan be returned and a subsequent claim was not paid on the loan within the cohort period in question, the school should request that the loan be removed from the numerator of the cohort default rate calculation.
- ❖ If the loan was repurchased because the borrower established a **new payment plan** and was making payments or if the lender/servicer simply requested the repurchase (i.e., a courtesy repurchase), the school should request that the loan be removed from the numerator of the cohort default rate calculation only if the loan was **successfully rehabilitated** in accordance with the criteria described in the "Special Circumstances Affecting How Cohort Default Rates are Calculated" chart on page 29 in the "Cohort Default Rates" section.

Please refer to the "Special Circumstances Affecting How Cohort Default Rates Are Calculated" chart on pages 29 and 30 of the "Cohort Default Rates" section for information on repurchased loans, and page 56 of the "Loan Record Detail Report" section for information on how to identify how a loan is used in the cohort default rate calculation.

These are some, but not all, of the allegations a school may identify.

**Note**

If the documentation submitted by the school as a part of its challenge was never originally submitted to the guaranty agency/Direct Loan servicer or lender, or was not submitted in a timely manner, the guaranty agency/Direct Loan servicer may respond that the data in question was determined based on the best information available at the time, and, as a result, no change is warranted.

How can a draft data challenge affect a school's official cohort default rate?

If, as a result of a draft data challenge, it is determined that the cohort default rate data is inaccurate, and the entity responsible for the inaccurate data correctly agrees to make a change to the school's cohort default rate data, the school's official cohort default rate should reflect the change correctly agreed to in the draft data challenge process. The change to the cohort default rate data may **lower, raise, or not affect** any of a school's three most recent official cohort default rates.

**Note**

If the agreed upon changes are not reflected in the official cohort default rate, a school may submit a request for adjustment after the release of the official cohort default rates.

Please refer to the "Request for Adjustment" section in the *Official Cohort Default Rate Guide* for additional information on this process.

TIMING AND SUBMITTING

How does a school submit a draft data challenge?

Timing is critical when submitting a draft data challenge.

Step 1: Within **45 calendar days⁴** of receipt of the hardcopy draft cohort default rate data, **review the draft loan record detail report to determine if:**



Time frames may overlap. Read ALL steps.

⁴ 34 CFR 668.17(j)(3)(i), 64 Fed. Reg. 58974, 58981 (November 1, 1999) (Preamble to Final Rule)

- ◆ a student is **reported incorrectly** in the draft cohort default rate calculation;

AND/OR

- ◆ a student was **incorrectly omitted** from the draft cohort default rate calculation.

Please refer to page 77 for a definition of inaccurate data and pages 80 through 85 for types of allegations a school may identify.

Step 2: Within the time frames described in Step 1 (i.e., within 45 calendar days of receipt of the hardcopy draft cohort default rate data), **prepare a draft data challenge for each guarantor/servicer code identified on the loan record detail report for which the school alleges errors.**

A challenge **MUST** include the following items:

- ◆ A **letter** on the school's letterhead addressed to **each appropriate entity** responsible for responding to a school's allegation regarding a loan for which the school alleges errors.

This letter should include –

- ❖ the school's **OPE ID number**;
- ❖ a **statement** indicating that the school is submitting a draft data challenge;
- ❖ the **fiscal year** to which the draft data challenge applies;

AND

- ❖ a **signature** by the school's President/CEO/Owner followed by a signature block providing the signer's name and job title.



Please refer to page 92 for an example of inaccurate data.



Q. How does a school determine which entity is responsible for responding to a school's allegation regarding a specific loan?

A. The entity represented by the guarantor/servicer code on the loan record detail report for the loan in question is responsible for responding to the allegation.

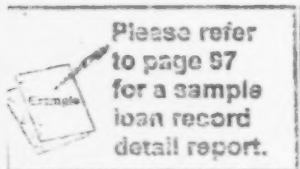
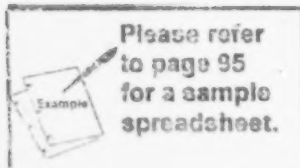
Please refer to page 55 of the "Loan Record Detail Report" section for detailed guidance on locating the guarantor/servicer code on the loan record detail report.

The names and addresses of the entities identified by the guarantor/servicer code can be found in "Appendix A1".



Please refer to page 93 for a sample letter.

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Complete a separate letter for **each appropriate entity** responsible for responding to a school's allegation regarding a loan.

- ◆ A **spreadsheet** that lists the inaccurate data associated with each entity responsible for responding to the draft data challenge.

Record all inaccurate data on the **FY 1998 Draft Data Challenge spreadsheet**.



Complete a separate spreadsheet for **each appropriate entity** responsible for responding to a school's allegation regarding a loan.

- ◆ Copies of the appropriate pages from the relevant **loan record detail report(s)**.

Each allegation must be accompanied by **at least one page** of a loan record detail report.

- ❖ Include the page of the loan record detail report where the borrower appears or where the borrower should appear. Provide both pages of the loan record detail report if the borrower belongs at the end of one page or at the beginning of the next page.
- ❖ If the borrower is being moved from one cohort period to another, include the page of the loan record detail report where the borrower currently appears and the page of the loan record detail report where the borrower should appear.

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◆ Relevant **supporting documentation** including, but not limited to a:

- ❖ signed and dated copy of a **letter** to the relevant lender, guaranty agency, and/or servicer that informs the entity of the student's last date of attendance and proof that the letter was timely submitted;

AND/OR

- ❖ signed and dated copy of a **Student Status Confirmation Report (SSCR)** sent to a guaranty agency that confirms the student's last date of attendance and proof that the SSCR was timely submitted;

AND/OR

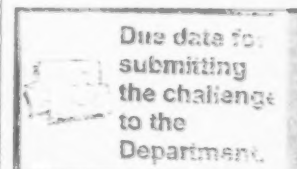
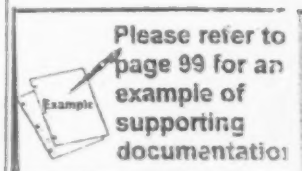
- ❖ a screen print from the SSCR function within **NSLDS** that confirms the student's last date of attendance was timely recorded within NSLDS.

Step 3:

Within the time frames described in Step 1 (i.e., within 45 calendar days of receipt of the hardcopy draft cohort default rate data) **submit the draft data challenge(s) to the appropriate entity(ies)** responsible for responding to the allegations of inaccurate data, as identified by the guarantor/servicer code on the loan record detail report.

When submitting a draft data challenge to an entity, please refer to the addresses in "Appendix A1."

The Department recommends that the school submit its completed draft data challenge on school letterhead, with the spreadsheet, the loan record detail report information, and supporting documentation described in Step 2. The challenge should be compiled in a single tabbed binder and mailed return receipt requested or via overnight courier delivery to the appropriate entity.



A school should maintain copies of all draft data challenge cover letters, spreadsheets, loan record detail reports, and supplemental documents included in a school's draft data challenge(s). The Department recommends that the school also maintain documentation verifying receipt by the appropriate entity(ies) of all draft data challenge material.



If a school does not meet the **45 calendar day** time frame for submitting a draft data challenge, the school's draft data challenge will not be reviewed.

The recommended tabs and materials for a draft data challenge are listed on the next page.



Draft data challenges are **NOT** sent to the Department's Default Management Division **UNLESS** the school is challenging an FFEL Program loan that is currently held by the Department (i.e., an FFEL Program loan with a guarantor/servicer code of 555 found in the loan record detail report.)

The following should be sent to each entity responsible for responding to a school's draft data challenge.

The section behind Tab 1 contains:

Tab 1

A **letter** on the school's letterhead with—

- ◆ the school's **OPE ID** number;
 - ◆ a **statement** indicating that the school is submitting a draft data challenge;
 - ◆ the **fiscal year** to which the draft data challenge applies;
- AND
- ◆ the **signature** of the school's President/CEO/Owner, followed by a signature block providing the signer's name and job title.

Please refer to page 93 for the **FY 1998 Draft Data Challenge** sample letter.

The section behind Tab 2 contains:

Tab 2

A list, in **spreadsheet** format, of the school's alleged data errors in the draft cohort default rate.



Fill out a separate spreadsheet for each entity responsible for responding to one or more draft data challenge allegations.

Please refer to pages 94 and 95 for a sample spreadsheet and detailed instructions on how to create the **FY 1998 Draft Data Challenge** spreadsheet.

The section behind Tab 3 contains:

Tab 3

Relevant pages of pertinent **loan record detail reports**.

Please refer to page 88 for information on which pages of loan record detail reports should be included as a part of the challenge.

The section behind Tab 4 contains:

Tab 4

Relevant **supporting documentation**.

Please refer to page 89 for information on the types of supporting documentation that should be included as a part of the challenge.



Note

The Department recommends that a school send all challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its challenge. A school should maintain the documentation which verifies the receipt of the challenge related material. In addition, a school should retain copies of all documentation submitted as a part of the challenge process.

Draft Data Challenge Example

After receiving its FY 1998 draft cohort default rate data, Electrical Training Institute found two inaccuracies between its records and the information shown on the FY 1998 draft loan record detail report. One alleged error was based on an FFEL Program loan currently held by the State Guaranty Agency. The other alleged error was based on a Direct Loan Program loan. Because different entities were responsible for responding to the allegations based on the loans in question, Electrical Training Institute prepared two separate draft data challenges, one for the State Guaranty Agency and one for the Direct Loan servicer.

An example of the draft data challenge sent to State Guaranty Agency is described on pages 93 through 99.

Draft Data Challenge for the State Guaranty Agency

Within 45 calendar days of receiving its FY 1998 draft cohort default rate data, the school:

- ◆ reviewed the draft loan record detail report (please refer to the sample loan record detail report on page 97) and determined that an **inaccuracy** occurred;

According to Electrical Training Institute's records and information from outside sources, David Smith is incorrectly included in both the numerator and denominator of the FY 1998 cohort default rate. Electrical Training Institute's records show that David had one Stafford loan guaranteed by State Guaranty Agency, his last date of attendance was November 12, 1996, his date entered repayment was May 13, 1997, and he entered repayment during the FY 1997 cohort period. Because, according to the school's records, David entered repayment in the FY 1997 cohort period and did not default within the FY 1997 cohort period, Electrical Training Institute believes the loan should be removed from the FY 1998 cohort default rate calculation and counted in the denominator of the FY 1997 cohort default rate calculation.

- ◆ prepared a **cover letter** to State Guaranty Agency for its draft data challenge (please refer the sample cover letter on page 93);
- ◆ prepared a **spreadsheet** that outlined the inaccuracies associated with David's loan (please refer to the sample spreadsheet on page 95);
- ◆ made a copy of the page of the FY 1998 draft loan record detail report demonstrating that the loan was included in the FY 1998 draft cohort default rate data and made a copy of the page from the FY 1997 official loan record detail report demonstrating that the loan was not included in the FY 1997 cohort default rate calculation (please refer to the sample loan record detail reports on page 97);

AND

- ◆ made copies of the relevant **supporting documentation**, which included a copy of the letter sent to the State Guaranty Agency notifying the agency of David's last date of attendance and a copy of the certified receipt verifying that the letter was timely mailed (please refer to the sample supporting documentation on page 99).

Electrical Training Institute then submitted the material to State Guaranty Agency at the address found in "Appendix A1".

Sample Draft Data Challenge Cover Letter for Each Relevant Entity**Electrical Training Institute**

1234 Main Street
Leonardtwn, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

March 10, 2000

State Guaranty Agency
Guarantor/Service Code 111
ATTN: Compliance Officer
1010 Maple Lane
Woodston, Michigan 98765-4321

OPE ID#: 111111

Subject: FY 1998 Draft Data Challenge

Dear Mr. Bowen:

Electrical Training Institute, **OPE ID# 111111**, wishes to challenge its
FY 1998 draft cohort default rate data.

Please see the enclosed spreadsheet, loan record detail reports, and
relevant supporting documentation.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young, President

Enclosures

Please refer to Step 2 on page 87 for more information on the time frames for
submitting this letter.

Record all loans being challenged with the relevant entity identified by the guarantor/servicer code on the loan record detail report using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc.



Fill out a separate spreadsheet for each entity responsible for responding to one or more draft data challenge allegations.

The spreadsheet should be printed on 8 1/2" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter FY 1998 Draft Data Challenge in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, and the number of allegations identified on the spreadsheet.

Footer: Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.

Sort: The students listed on the spreadsheet should be sorted by:

- 1 Student's Social Security number
- 2 Loan type.



Only the allegations listed on the school's spreadsheet will be reviewed. If a borrower has multiple loans containing inaccuracies, a school must enter data for each loan for the borrower.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan for which the school is challenging.



A school should input dates based on the school's records. A school should NOT include dates based on the loan record detail report or guaranty agency and/or Direct Loan servicer if it believes those dates are incorrect.

96

Column 1: Enter the student's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000)

Column 2: Enter the student's name.

Column 3: Enter the loan type. Use the following codes:

Loan Type Codes	
Code	Description
D1	Direct Subsidized Loan
D2	Direct Unsubsidized Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loans
SU	FFEL Unsubsidized Stafford Loan

Column 4: Enter MM/DD/CCYY (month, day and year) to identify the earlier date of the student's LDA (last date of attendance) or the LTH (less-than-half-time) according to the school's records and outside sources.

Column 5: Enter MM/DD/CCYY to identify the DER (date the loan entered repayment) according to the school's records and outside sources.

Column 6: Enter MM/DD/CCYY or MM/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (Income Contingent Repayment date) according to the school's records and outside sources.

Column 7: Enter the fiscal year(s) of the cohort default rate(s) which may be changed as a result of the data correction.

Column 8: Enter N (numerator), D (denominator), or B (both numerator and denominator), accompanied by a plus or minus sign (such as +D or -D) to show how the school believes the information will affect the cohort default rate calculation.

Column 9: Enter any comments.

Column 10: Enter the appropriate guarantor/servicer code found on the loan record detail report. Each spreadsheet should only contain loans for a single entity that is responsible for responding to draft data challenges.

97

Note: This is a sample spreadsheet. See instructions on the previous page.

FY 1998 Draft Data Challenge

School Name: Electrical Training Institute
 OPE ID Number: 111111
 Number of allegations: 1

Sample Draft Data Challenge Spreadsheet for Each Relevant Entity

1. Student's SSN	2. Student's Name	3. Type of loan (Use codes from instructions)	4. Earlier of LDA or LTH (MM/DD/CCYY)	5. Date entered repayment (DER) (MM/DD/CCYY) or (MM/DD/CCYY)	6. CPD, DD, ICRD, or NIA (MM/DD/CCYY) or (MM/DD/CCYY)	7. FY(s) appl.	8. Effect on CDR calc. (N/D, or B)	9. Comments	10. GA/ Servicer Code
333-33-3333	David Smith	SF	11/12/1996	05/13/1997	09/05/1999	FY 1998 FY 1997	-B +D	Student was incorrectly included and should be removed from the B of the FY 1998 calculation and added to the D of the FY 1997 calculation	111

Please refer to Step 2 on pages 87 and 88 for information on the time frames for submitting this spreadsheet and page 94 for detailed instructions on creating this spreadsheet.

3/10/2000

Send to the relevant entity as identified by the guarantor/servicer code on the loan record detail report at the address shown in "Appendix A1"

Page 1 of 1 pages

U.S. DEPARTMENT OF EDUCATION
NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)RATE CALCULATION DATE: 12/18/1999
PAGE NO: 1

COHORT YEAR 1998 DRAFT LOAN RECORD DETAIL REPORT (SCHOOL)

Attention: ROBERT YOUNG

Organization ID Number: 11111100

Name: ELECTRICAL TRAINING INSTITUTE

Address: 1234 MAIN STREET

City: LEONARDTOWN

State: WI

Country: USA

Postal Code: 12345-6789

Program Type: FFEL/DL

Years: 1

SSN	Last name	STUDENT	First/M.I.	D.O.B	Original School	Begin Date	End Date	CLASS	Academic Level
0222-22-2222	LEE		MISSY	10/21/1951	11111100	08/25/1996	05/11/1997		2
0101	555	D1 DU IX	02/20/1999	10/01/1997	\$ 3,000	0101	09/30/1996	G	12/15/1998 B DB
0333-33-3333	SMITH		DAVID	10/21/1977	11111100	08/25/1997	05/11/1998		1
8000040000	8000040000	SF DU DF	09/05/1999	05/16/1998	\$ 2,625	111	08/25/1997	W	01/01/2000 B FB
0444-44-4444	MAY		ELIZABETH	08/12/1969	11111100	02/13/1996	09/11/1997		1
8000040000	8000040000	SF RP	00/00/0000	06/12/1998	\$ 2,625	111	02/24/1996	F	12/01/1999 D FD

U.S. DEPARTMENT OF EDUCATION
NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)RATE CALCULATION DATE: 08/28/1999
PAGE NO: 1

COHORT YEAR 1997 OFFICIAL LOAN RECORD DETAIL REPORT (SCHOOL)

Attention: ROBERT YOUNG

Organization ID Number: 11111100

Name: ELECTRICAL TRAINING INSTITUTE

Address: 1234 MAIN STREET

City: LEONARDTOWN

State: WI

Country: USA

Postal Code: 12345-6789

Program Type: FFEL/DL

Years: 1

SSN	Last name	STUDENT	First/M.I.	D.O.B	Original School	Begin Date	End Date	CLASS	Academic Level
0111-11-1111	LEE		AMY	06/12/1975	11111100	08/25/1996	05/11/1997		2
0101	555	D1 DU IX	07/15/1998	10/21/1996	\$ 3,000	0101	09/30/1996	G	12/15/1998 B DB
0555-55-5555	ANDERSON		ELIZABETH	11/18/1979	11111100	02/13/1996	09/11/1996		1
8000040000	8000040000	SF RP	00/00/0000	06/12/1997	\$ 2,625	111	02/24/1996	F	12/01/1999 D FD

David was NOT included in the FY 1997
official loan record detail report

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Sample Draft Data Challenge Supporting Documentation

**Electrical Training Institute**

1234 Main Street
Leonardtown, Wisconsin 12345-6789
(123) 456-7890

Sample Letter

December 3, 1996

State Guaranty Agency
Guarantor/Service Code 111
ATTN: Compliance Officer
1010 Maple Lane
Whodson, Michigan 98765-4321

OPE ID#: 111111

Subject: Updated LDA

Dear Mr. Bowen:

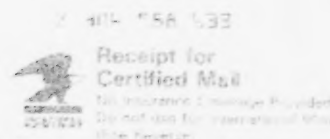
Electrical Training Institute, OPE ID# 111111,
wishes to inform State Guaranty Agency that
the last date of attendance for David Smith
(333-33-3333) is November 12, 1996.

Thank you.

Sincerely,

Robert Young

Robert Young, President

**CERTIFIED****MAIL**

Please refer to page 89 for more information on supporting documentation.

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Participation Rate Index Challenge

QUALIFYING

What is a participation rate index challenge?

A participation rate index challenge is the percentage of a school's students that obtain Federal Family Education Loan (FFEL) Program and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans multiplied by the school's cohort default rate.

Please refer to page 108 for a more in-depth discussion on how to calculate a participation rate index.

Which schools are eligible to submit a participation rate index challenge?

Any school, regardless of its cohort default rate, can submit a participation rate index challenge if it can demonstrate that it has a participation rate index equal to or less than 0.0375 for any of the three most recent cohort periods (i.e., FY 1996, FY 1997, and/or FY 1998).

What benefit will a school gain from submitting a participation rate index challenge?

A school that submits a successful participation rate index challenge will **not** be subject to the loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program due to **official** cohort default rates that are equal to or greater than 25.0 percent for the three most recent cohort periods.



Note

Only those schools that have (or could have) official cohort default rates that are equal to or greater than 25.0 percent for the three most recent cohort periods will receive any benefit from submitting a participation rate index challenge. Therefore, if a school is not (or could not be) subject to the loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program due to official cohort default rates that are equal to or greater than 25.0 percent for the three most recent cohort periods, the school should **NOT** file a participation rate index challenge.

Because a school can submit a participation rate index challenge for either of its two most recent official cohort default rates **OR** its most recent draft cohort default rate, it is not necessary for a school that has submitted a successful participation rate index challenge/appeal for either of its two previous **official** cohort default rates (i.e., FY 1996 and/or FY 1997) to submit a participation rate index challenge based on its FY 1998 draft cohort default rate.

Before the official cohort default rates are released, the Department will automatically identify any school that has submitted a successful participation rate index challenge/appeal based on its most recent draft cohort default rate or either of the two previous cohort periods. These schools will **NOT** be subject to loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program even if the school's three most recent official cohort default rates are equal to or greater than 25.0 percent. After the release of the official cohort default rates, the Department will also identify schools that submitted unsuccessful participation rate index challenges that would have been successful if based on the school's official cohort default rate, rather than on its draft cohort default rate. These schools will be notified that the school's applicable official cohort default rate will not be used in the future to determine if the school is subject to the loss of eligibility to participate in the FFEL Program, Direct Loan Program, and/or Federal Pell Grant Program.



A successful participation rate index challenge does **NOT** change a school's official cohort default rate. In addition, a successful participation rate index challenge does **NOT** prevent the Department from initiating an action to limit, suspend, or terminate a school from all Title IV Student Financial Assistance Programs if the school's **official** cohort default rate is equal to or greater than 40.1 percent.

Which cohort default rate can be used to determine a participation rate index?

A school may submit more than one participation rate index challenge and may choose to base a participation rate index on:

- ◆ either of the school's two most recent **official** cohort default rates [i.e., the FY 1997 and FY 1996 official cohort default rate(s)]
- OR
- ◆ the school's most recent **draft** cohort default rate (i.e., the FY 1998 draft cohort default rate)

Are participation rate index challenges based on a specific period of time?

Yes, the school must base the participation rate index challenge on a 12-month period that has ended during the six months immediately preceding the fiscal year for which the cohort of students used to calculate the institution's rate is determined.¹

Because a school can choose to submit a participation rate index challenge based on either of its two most recent official cohort default rates OR its most recent draft cohort default rate the time period will differ based on the cohort period used by the school.

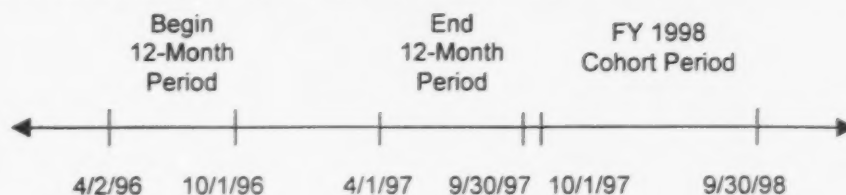
Please refer to the next three pages for a description of acceptable 12-month periods.

¹ HEA Section 435(a)(6)(A)

A school that chooses to submit a participation rate index challenge based on its **FY 1998 draft cohort default rate** must select a 12-month period that ends within the six-month period that precedes FY 1998. Since the FY 1998 cohort begins on October 1, 1997, the six-month period preceding FY 1998 is from April 1, 1997 through September 30, 1997. **As a result, the school's 12-month period must end no earlier than April 1, 1997 and no later than September 30, 1997. Therefore, the 12-month period must begin no earlier than April 2, 1996 and no later than October 1, 1996.**

FY 1998 Cohort Default Rate 12-Month Period

A school should use the following time line to assist it in determining an acceptable 12-month period associated with FY 1998.



Note

All 12-month periods associated with the FY 1998 draft cohort period must begin no earlier than April 2, 1996 and no later than October 1, 1996 and must end no earlier than April 1, 1997 and no later than September 30, 1997.

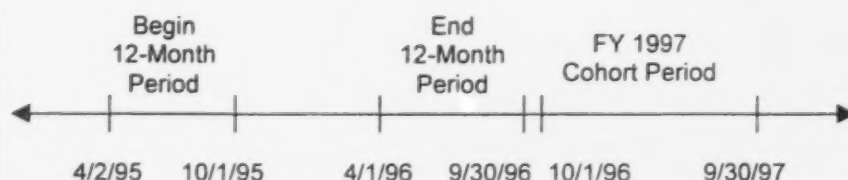
For example:

- Acceptable:** April 2, 1996 to April 1, 1997
- Not Acceptable:** April 1, 1996 to March 31, 1997
- Acceptable:** October 1, 1996 to September 30, 1997
- Not Acceptable:** October 2, 1996 to October 1, 1997

A school that chooses to submit a participation rate index challenge based on its **FY 1997 official cohort default rate** must select a 12-month period that has a start date that ends within the six-month period that precedes FY 1997. Since the FY 1997 cohort begins on October 1, 1996, the six-month period preceding FY 1997 is from April 1, 1996 through September 30, 1996. **As a result, the school's 12-month period must end no earlier than April 1, 1996 and no later than September 30, 1996. Therefore, the 12-month period must begin no earlier than April 2, 1995 and no later than October 1, 1995.**

FY 1997 Cohort Default Rate 12-Month Period

A school should use the following time line to assist it in determining an acceptable 12-month period associated with FY 1997.



Note

All 12-month periods associated with the FY 1997 cohort period must begin no earlier than April 2, 1995 and no later than October 1, 1995 and must end no earlier than April 1, 1996 and no later than September 30, 1996.

For example:

Acceptable: July 1, 1995 to June 30, 1996

Not Acceptable: June 30, 1995 to July 1, 1996



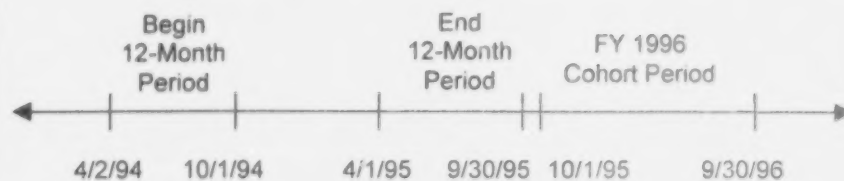
Note

June 30, 1995 to July 1, 1996 is not acceptable because it represents more than a 12-month period. An acceptable 12-month period would be June 30, 1995 through June 29, 1996.

A school that chooses to submit a participation rate index challenge based on its **FY 1996 official cohort default rate** must select a 12-month period that has a start date that ends within the six-month period that precedes FY 1996. Since the FY 1996 cohort begins on October 1, 1995, the six-month period preceding FY 1996 is from April 1, 1995 through September 30, 1995. **As a result, the school's 12-month period must end no earlier than April 1, 1995 and no later than September 30, 1995. Therefore, the 12-month period must begin no earlier than April 2, 1994 and no later than October 1, 1994.**

FY 1996 Cohort Default Rate 12-Month Period

A school should use the following time line to assist it in determining an acceptable 12-month period associated with FY 1996.



Note

All 12-month periods associated with the FY 1996 cohort period must begin no earlier than April 2, 1994 and no later than October 1, 1994 and must end no earlier than April 1, 1995 and no later than September 30, 1995.

For example:

Acceptable: June 20, 1994 to June 19, 1995

Not Acceptable: June 19, 1994 to June 19, 1995



Note

June 19, 1994 through June 19, 1995 is unacceptable because it represents more than a 12-month period. An acceptable 12-month period would be June 19, 1994 through June 18, 1995.

What happens if a school selects an unacceptable 12-month period?

If a school selects an unacceptable 12-month period the Department will not review any portion of the school's data and the challenge will be denied.

To discuss whether the school has selected an acceptable 12-month period contact the Department's Default Management Division at (202) 708-9396 or at OSFA_IPOS_Default_Management_Division@ed.gov.

What role does a guaranty agency or Direct Loan servicer have in a school's participation rate index challenge?

None. Neither a guaranty agency nor the Direct Loan servicer has a role in a school's participation rate index challenge. Participation rate index challenges are submitted directly to the Department for review and consideration.

What role does the Department have in a school's participation rate index challenge?

The Department is responsible for determining whether schools meet the established participation rate index challenge criteria.

- ◆ If the Department determines that a school **meets the participation rate index challenge criteria**, the Department will notify the school that the school's participation rate index challenge was successful. In addition, the Department will notify the school that it is NOT subject to loss of participation in certain student financial assistance programs even if the schools' three most recent **official** cohort default rates are equal to or greater than 25.0 percent.
- ◆ If the Department determines that a school **does not meet the participation rate index challenge criteria**, the Department will notify the school that the school's participation rate index challenge was not successful and that the school may be subject to loss of participation in certain student financial assistance programs if its three most recent **official** cohort default rates are equal to or greater than 25.0 percent.

How does a school calculate its participation rate index?

The participation rate index is calculated as follows:

the school's relevant cohort default rate	X	number of regular students included in the denominator who received an FFEL Program loan or Direct Loan Program loan for a loan period that overlaps the selected 12-month period by at least one day
		number of regular students enrolled on at least a half-time basis during any part of the selected 12-month period

To succeed on a participation rate index challenge, the school must have a participation rate index of 0.0375 or less.

Example: Technical School's FY 1998 draft cohort default rate is 25.0 percent. Technical School had a total of 200 regular students enrolled on at least a half-time basis during the selected 12-month period. Of those 200 students, 14 borrowers received an FFEL Program loan for a loan period that overlapped the selected 12-month period by at least one day and 12 different borrowers received a Direct Loan Program loan for a loan period that overlapped the selected 12-month period by at least one day. Technical School's participation rate index is calculated as follows:

0.250	X	14 (FFEL) + 12 (DL) = 26	=	0.0325
		200		

Which students are included in the denominator of the participation rate index?

To be included in the denominator of the participation rate index, a student must have been—²

- ◆ a "regular student" (i.e., a student that enrolled, or was accepted for enrollment, at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that institution);

AND

- ◆ enrolled on at least a half-time basis for at least one day in the 12-month period selected by the school.



Note

A student's entire enrollment period does NOT have to fall within the selected 12-month period. A student that enrolled **prior** to the 12-month period but completed/withdrew from the program of study **during** the 12-month period is considered to have been enrolled during the 12-month period. In addition, a student that enrolled **during** the 12-month period but completed/withdrew from the program of study **after** the 12-month period is considered to have been enrolled during the 12-month period. Finally, a student that enrolled **prior** to the 12-month period and continued to be enrolled until **after** the 12-month period is considered to have been enrolled during the 12-month period.

Which borrowers are included in the numerator of the participation rate index?

To be included in the numerator of the participation rate index, the borrower must first be included in the denominator of the rate. If a borrower is included in the denominator of the participation rate index calculation and meets the following conditions, the borrower will also be included in the numerator of the calculation:³

Q. If a student has a break in enrollment and leaves school, then returns and begins a new enrollment period, all during the selected 12-month period, which enrollment dates should the school use?

A. A school should list both enrollment periods. However, the student will only be counted once in the participation rate index calculation.

² HEA Section 435(a)(6)(A)

³ Id.

 If a borrower has more than one loan with a loan period that falls during the selected 12-month period, which loan data should a school use?

 A school should list both loans. However, the borrower will only be counted once in the participation rate index calculation.

- ◆ the borrower received an FFEL Program and/or Direct Loan Program loan;
- AND
- ◆ the FFEL Program and/or Direct Loan Program loan period overlaps the 12-month period selected by the school by at least one day.



If any part of the loan period falls within the 12-month period, the student must be identified and counted as having received a loan.

TIMING AND SUBMITTING

How does a school prepare and submit a participation rate index challenge?

Timing is critical when submitting a participation rate index challenge.

- Step 1:** Within **30 calendar days⁴** of receiving its most recent hardcopy draft cohort default rate data, a school must **review this Guide to determine if the school will benefit from submitting a participation rate index challenge.**

Please refer to page 102 for a detailed discussion regarding which schools will benefit from submitting a participation rate index challenge.

- Step 2:** If a school will benefit from submitting a participation rate index challenge, **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving its most recent hardcopy draft cohort default rate data), a school must **identify data to support the school's participation rate index.**

A school must compile a spreadsheet to count and list the students who will be included in the school's participation rate index that follows the format of the sample **Participation Rate Index Challenge** spreadsheet on page 119.

⁴ HEA Section 435(a)(6)(B)

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If a school did not certify any FFEL Program or Direct Loan Program loans during the selected 12-month period, the school should submit a letter which identifies the school's selected 12-month period and indicates that the school did not certify any loans during the selected 12-month period. A school that did not certify any loans during the selected 12-month period does NOT have to submit a participation rate index challenge spreadsheet to the Department. However, the school must send the Department, within 30 calendar days of receipt of its draft cohort default rate data, a letter which indicates that the school did not certify any loans during the period in question.

If a school did certify **ANY** loans during the school's selected 12-month period the school must follow the steps outlined in this guide in order for the Department to consider the school's participation rate index challenge.

A school should provide the following information on the spreadsheet:

- ◆ the school's **name** and **OPE ID Number**;
- ◆ the beginning and ending dates for the **12-month** period on which the school is basing its participation rate index;

For information on selecting an acceptable 12-month period, please refer to pages 103 through 107.

- ◆ the **Social Security numbers**, in numerical order, of all the **regular students** enrolled on at least a half-time basis during any part of the selected 12-month period;



These are the students that will be included in the **denominator** of the participation rate index.

Q What is a regular student?

A A regular student is defined as a person who is enrolled, or accepted for enrollment, at an institution for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by the institution as defined in Section 200.1.

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- ◆ for each Social Security number, list the **student's name**;
- ◆ for each student, provide beginning and ending **enrollment dates** [For all enrollment dates, include the month, day and year (MM/DD/CCYY)];

**Note**

No student is counted more than once in the calculation, even if the student re-enrolled.

- ◆ if the student received an FFEL Program loan and/or a Direct Loan Program loan during the selected 12-month period, enter the type of loan(s) received (if not, do not make an entry);
- ◆ for each borrower with an FFEL Program loan and/or a Direct Loan Program loan, provide the beginning and ending dates of the **loan period**.

**Note**

If the borrower has more than one loan, list the loan periods associated with each loan. However, the borrower is only counted once in the calculation.

Borrowers listed with loan periods that overlap the 12-month period selected by the school by at least one day are the borrowers that will be included in the **numerator** of the participation rate index.

Step 3:

Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving its most recent hardcopy draft cohort default rate data), a school must **calculate its participation rate index**.

- ◆ Identify the school's relevant cohort default rate.
 - ❖ A school's most recent **draft** cohort default rate (i.e., FY 1998 draft cohort default rate) can be found on the last page of the school's draft loan record detail report;

AND/OR

- ❖ A school's **official** cohort default rate (i.e., the FY 1997 and/or FY 1996 official cohort default rate) can be found in the school's official notification letter, or if the school appealed its official cohort default rate, the school's official cohort default rate can be found in the final appeal determination letter from the Department.
- ◆ From the **Participation Rate Index Challenge** spreadsheet, count the number of borrowers who received an FFEL Program and/or Direct Loan Program loan during the selected 12-month period and whose loan periods overlap the 12-month period by at least one day. **These are the borrowers who will be included in the numerator of the participation rate index.**
- ◆ From the **Participation Rate Index Challenge** spreadsheet, count the total number of students listed on the spreadsheet. **These are the students who will be included in the denominator of the participation rate index.**
- ◆ Divide the number of borrowers who received an FFEL Program and/or Direct Loan Program loan during the selected 12-month period and whose loan periods overlap the 12-month period by at least one day by the number of students listed on the spreadsheet and multiply the result by the relevant cohort default rate identified by the school. **This is the school's participation rate index.**

**Note**

For a successful challenge, the school's participation rate index must be 0.0375 or less.

Step 4: Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving its most recent hardcopy draft cohort default rate data), the school must submit the following to the Department at the address provided on page 116;

Due date for submitting the challenge to the Department.

Please refer
to page 117
for a sample
letter.

- ◆ a cover letter that follows the format of the sample **Participation Rate Index Challenge** cover letter on page 117;

AND

- ◆ information about the students who are included in the participation rate index using the **Participation Rate Index Challenge** spreadsheet created in Step 2.



Note

Schools are **not** required to submit an independent auditor's attestation to support the school's participation rate index challenge.

The Department recommends that the school submit the participation rate index challenge in a single, tabbed binder. The recommended tabs and materials are shown on the next page.

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The following material should be sent to the Department's Default Management Division at the address shown on page 116.

Tab 1

The section behind Tab 1 contains:

A **letter** on the school's letterhead with—

- ◆ the school's OPE ID number;
- ◆ a statement indicating that the school is submitting a participation rate index challenge;
- ◆ the relevant cohort default rate on which the challenge is based;
- ◆ a certification sentence that indicates that the information provided in the challenge, under penalty of perjury, is true and correct;

AND

- ◆ the signature of the school's President/CEO/Owner, followed by a signature block providing the signer's name and job title.

Schools should refer to the sample **Participation Rate Index Challenge** cover letter on page 117.

Tab 2

The section behind Tab 2 contains:

A **spreadsheet** of the school's students included in the participation rate index.

Schools should refer to the sample **Participation Rate Index Challenge** spreadsheet on page 119 and detailed instructions on how to create the spreadsheet on page 118.

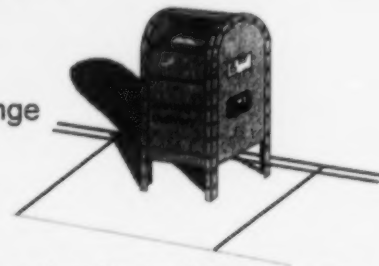


Note

The Department will not consider information submitted after the statutory deadlines. The Department will send the school written notification of its decision.

If sent by commercial overnight mail/courier delivery, send the school's participation rate index challenge to:

U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index Challenge
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the school's participation rate index challenge to:



U.S. Department of Education
Default Management Division
ATTN: Participation Rate Index
Challenge
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353



Note

The Department will not accept any challenge correspondence by facsimile (fax) or e-mail.

The Department recommends that a school send all challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its challenge. A school should maintain the documentation which verifies the receipt of the challenge related material. In addition, a school should retain copies of all documentation submitted as a part of the challenge process.

Sample Participation Rate Index Challenge Cover Letter



Electrical Training Institute
1234 Main Street
Leonardtwn, Wisconsin 12345-6789
(123) 456-7890

March 10, 2000

Sample Letter

OPE ID#: 111111

U.S. Department of Education
Default Management Division
Attn: Participation Rate Index Challenge
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

**Subject: Participation Rate Index Challenge based on FY
1998 Draft Cohort Default Rate**

Dear Default Management Division:

Electrical Training Institute, OPE ID# 111111, is submitting its participation rate index challenge based on its FY 1998 draft cohort default rate.

I, the undersigned, certify under penalty of perjury, that our participation rate index is 0.0325 based on a 12-month period that began on April 2, 1996 and ended on April 1, 1997. I certify that all information submitted in support of this participation rate index challenge is true and correct.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

Robert Young

Robert Young,
President

Enclosure

Please refer to Step 4 on page 113 for information on the time frame for submitting this letter.

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Instructions for Participation Rate Index Challenge spreadsheet

121

Count and list the students who will be included in the calculation of the school's participation rate index using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The final printed spreadsheet must be sent to the Department.

The spreadsheet should be printed on 8 1/2" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter Participation Rate Index Challenge based on the FY [insert year] [insert "Draft" or "Official"] Cohort Default Rate in the center of the header area. In the left-hand area, enter the school's name, the school's OPE ID number, the school's applicable cohort default rate, and the school's selected 12-month period.

Footer: Enter the date the spreadsheet was prepared in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: Page 1 of 10.

Sort: The students listed on the spreadsheet should be sorted by the student's Social Security number.

On Rows 1, 2, 3, and 4, use the draw tool to draw a rectangle covering lines A1 to E4. Using the text-box tool, draw another box for Box A information. In this box, enter the school's applicable cohort default rate, the number of students who received FFEL Program and/or Direct Loan Program loans (the numerator of the participation rate index listed in Column 4), the number of regular students (the denominator of the participation rate index listed in Column 1), and the school's participation rate index.

On Row 5, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet.

On Row 6 and below, include the following data for each student who is included in the school's participation rate index.

Column 1: Enter the student's Social Security number (SSN) using hyphens to separate the numbers (for example, 000-00-0000) for all of the regular students enrolled on at least a half-time basis during any part of the selected 12-month period. (No student will be counted more than once in the calculation.) Sort by numerical order when ready to print the spreadsheet. **These are the students that will be counted in the denominator of the participation rate index.**

Column 2: Enter the student's name.

Column 3: Enter MM/DD/CCYY (month, day, year) to identify the student's beginning enrollment date and ending enrollment date.

Column 4: Enter FFEL or DL if the student received an FFEL Program loan (FFEL) or a Direct Loan Program loan (DL) for a loan period that coincides with any part of the selected 12-month period. Leave blank if the student did not receive a loan or the loan period does not coincide with the 12-month period.



If any part of the loan period falls within the selected 12-month period, the borrower must be identified and counted as having received a loan during the selected period. These are the borrowers that will be included in the numerator of the participation rate index.

Column 5: If a loan was received, enter MM/DD/CCYY to identify the beginning date and ending date of the loan period. If Column 4 is not filled out, leave this column blank.



If the borrower has more than one loan, list the loan periods associated with each loan. However, the borrower is only counted once in the calculation.

Note: This is a sample spreadsheet. See instructions on the previous page.

School Name: Electrical Training Institute
 OPE ID Number: 111111
 Cohort Default Rate: FY 1998 Draft CDR = 25.0%
 12-Month Period: 4/2/1996-4/1/1997

Participation Rate Index Challenge based on the FY 1998 Draft Cohort Default Rate

Sample Participation Rate Index Challenge spreadsheet

Box A Applicable Cohort Default Rate - 25.0% No. of Borrowers Receiving FFEL/DL loans (reported in column 4) 26 No. of Regular Students (listed in column 1) 200 Participation Rate Index 0.0325				
1. Student's SSN	2. Student's Name	3. Student's enrollment dates (from MM/DD/CCYY to MM/DD/CCYY)	4. If borrower received an FFEL Program loan (FFEL) and/or Direct Loan Program loan (DL) during any part of the 12-month period, enter the type of loan received (FFEL or DL)	5. Beginning dates and ending dates of loan periods for FFEL Program and/or Direct Loan Program loans, if received (from MM/DD/CCYY to MM/DD/CCYY)
111-11-1111	Jane Smith	3/15/1996-3/10/1997	FFEL	9/30/1996-3/10/1997
222-22-2222	John Doe	6/16/1996-10/3/1997		

Please refer to Step 2 on page 110 for information on time frame for submitting this spreadsheet and page 118 for detailed instructions on how to create this spreadsheet.

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(send to U.S. Department of Education's Default
 Management Division at the address located on page 116)

Page 123

Information for Guaranty Agencies on Challenges



GENERAL INFORMATION

What role does a guaranty agency have in a school's participation rate index challenge?

Guaranty agencies are NOT involved in a school's participation rate index challenge. Schools should submit all participation rate index challenges directly to the U.S. Department of Education (Department).

If a guaranty agency receives a participation rate index challenge from a school, it should **immediately** contact the school to inform the school that the participation rate index challenge must be sent to the Department at the address shown on page 116 of the "Participation Rate Index Challenge" section, and that the challenge must be sent to the Department within **30 calendar days** of the school's receipt of its most recent hardcopy draft cohort default rate data. The guaranty agency should also notify the Department's Default Management Division that it has contacted the school.

 Who is responsible for responding to draft data challenges on loans currently maintained by the Department?

 The Department's Default Management Division will respond to a school's allegations regarding FFEL Program loans currently held by the Department.

The Department's Direct Loan servicer will respond to a school's allegations regarding Direct Loan Program loans.

What role does a guaranty agency have in a school's draft data challenge?

A school may write to a guaranty agency to obtain information to challenge the school's draft cohort default rate data. A guaranty agency is required to respond to a school's timely submitted challenge regarding Federal Family Education Loan (FFEL) Program loans for which the agency currently maintains the guaranty.¹ The guaranty agency must provide a copy of its response to the challenge to both the school and the Department within **30 calendar days** of receipt of the school's timely submitted draft data challenge.

In preparing responses to challenges, guaranty agencies should refer to the "Responding to Draft Data Challenges" section beginning on page 128.



Note

Once the guaranty agency responds to a school's timely submitted draft data challenge, the guaranty agency is not required to respond to subsequent challenges submitted by the school if the 45 calendar day time frame to submit such challenges has expired.

What actions should a guaranty agency take when responding to a school's draft data challenge?

The Department recommends that when responding to a school's challenge, a guaranty agency should:

- ◆ **thoroughly review this Guide.** This will ensure that the guaranty agency is aware of all the guidance and requirements associated with the draft data challenge process.
- ◆ **send all correspondence to schools return receipt requested or via commercial overnight mail/courier delivery.** This will be useful to a guaranty agency and the Department in determining whether or not a school received the response.

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¹ 34 CFR Section 682.401(b)(15)

- ◆ **maintain copies of documentation verifying the school's receipt of all draft data challenge related material.** This will be useful to a guaranty agency and the Department in determining when the school received the response.
- ◆ **send a copy of any draft data challenge related material mailed to a school to the Department's Default Management Division** using the address on page 125. The Department will use this material to monitor the draft data challenge process.

AND

- ◆ **retain copies of all draft data challenge documents** provided to schools and the Department for a period of five years from the date the school's challenge was reviewed.

What role does the Department have in a school's draft data challenge?

The Department is responsible for responding to a school's draft data challenge if the challenge includes allegations regarding FFEL Program loans currently held by the Department and/or William D. Ford Federal Direct Loan (Direct Loan) Program loans.

- ◆ The **Department's Default Management Division** is responsible for responding to schools' inquiries regarding **FFEL Program loans that are currently held by the Department**. These loans are identified on the loan record detail report with a guarantor/servicer code of **555**.
- ◆ The **Department's Direct Loan servicer** is responsible for responding to schools' inquiries regarding **Direct Loan Program loans**. These loans are identified on the loan record detail report with a guarantor/servicer code of **0101**.



Note

Even though the **current lender/servicer/holder code** for defaulted Direct Loan Program loans is 555, **ALL** inquiries regarding Direct Loan Program loans are responded to by the Direct Loan servicer.

The Department also reviews guaranty agency responses to schools' draft data challenges to ensure that the guaranty agency responses are correct. If the Department determines that the guaranty agency responses are not correct, the Department will notify the guaranty agency and the school prior to the release of the official cohort default rates that the guaranty agency's responses are incorrect and will provide the correct responses. The Department will instruct the guaranty agency to resubmit the corrected data to NSLDS and will inform the school that if the guaranty agency fails to make the corrections prior to the release of the official cohort default rates the Department will make the corrections after the official cohort default rates are calculated.

MONTHLY STATUS REPORTS

How does a guaranty agency notify the Department about the status of a school's challenge?

A guaranty agency must send the Department a copy of its response to a school's challenge. Please refer to the "Responding to Draft Data Challenges" section beginning on page 128 for guidance on how to respond to a school's draft data challenge.

However, in addition to sending the Department a copy of any challenge-related correspondence sent to a school, each guaranty agency should provide the Department with a monthly status report. The monthly status report provides the Department with an update on draft data challenges that guaranty agencies receive from schools after the release of the draft cohort default rates. These status reports will assist the Department in monitoring the time frames and work load associated with the draft data challenge process.

The status report should be sent to the Department using the address on page 125 within **5 working days** of the end of each month. For example, the status report for March, 2000 should be sent by April 7, 2000.

The report should be a **cumulative** listing of all draft data challenges. The report should reflect the date the school sent the challenge to the guaranty agency, the date the guaranty agency responded to the school's challenge, the tracking number associated with the agency's response, and the date the school received the response.



Note

If a guaranty agency has not received any cohort default rate challenge inquiries or requests, the guaranty agency should send a status report marked "No cohort default rate challenge inquiries or requests received."

Once all responses have been provided to all schools and the guaranty agency has not received any subsequent challenges, the guaranty agency should send the Department an updated status report marked "FINAL". After the guaranty agency sends the Department the final report, the guaranty agency does not need to send any more monthly status reports until the official cohort default rates are released.



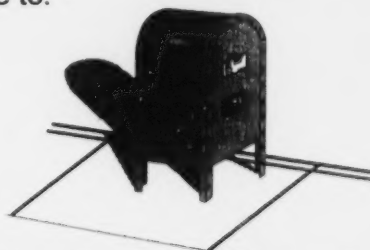
Note

The monthly status report should list schools in order by OPE ID number.

Guaranty agencies should use the format of the sample **Monthly Status Report** spreadsheet, on page 127 to submit reports.

If sent by commercial overnight mail/courier delivery, send the monthly status report and all copies of letters sent to schools regarding the school's cohort default rate to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the monthly status report and all copies of letters sent to schools regarding the school's cohort default rate to:



U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Record all schools that requested cohort default rate data information using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent to the Department.

The spreadsheet should be printed on 8 1/2" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

- Header:** Enter **FY 1998 Monthly Status Report on Draft Data Challenges** in the center of the header area. In the left-hand area, enter the name of the guaranty agency, the guaranty agency three digit guarantor code, and the number of schools that have submitted draft data challenges.
- Footer:** Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.
- Sort:** The report should be a cumulative listing of all draft data challenges in order by OPE ID number.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each school that has submitted a draft data challenge.

- Column 1:** Enter the school's six-digit OPE ID number.
- Column 2:** Enter the school's name.
- Column 3:** Enter MM/DD/CCYY (month, date, year) to identify the date the school submitted the draft data challenge.
- Column 4:** Enter MM/DD/CCYY to identify the date the guaranty agency mailed a response to the school.
- Column 5:** Enter type of service delivery (i.e. Federal Express, U.S. Postal Service, Airborne Express, etc.) the guaranty agency used to deliver its response to the school.
- Column 6:** Enter the tracking number assigned to the response by the delivery service.
- Column 7:** Enter MM/DD/CCYY to identify the date the school signed for the response from the guaranty agency.
- Column 8:** Enter comments in this column, if needed.

Instructions for Monthly Status Report on Draft Data Challenges Spreadsheet

Note: This is a sample spreadsheet. See instructions on the previous page.

State Guaranty Agency
111
2 schools

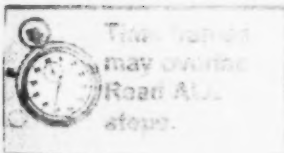
FY 1998 Draft Cohort Default Rate Guide

[illegible]

Page 1 of 1

RESPONDING TO DRAFT DATA CHALLENGES

How should a guaranty agency respond to a school's draft data challenge?



Step 1: Within 30 calendar days of receiving the school's draft data challenge, a guaranty agency should **review this Guide to determine if the school's challenge is timely.**



Note

The time frames associated with a school's draft data challenge are outlined in the "Draft Data Challenge" section beginning on page 86.

Step 2: Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving the school's draft data challenge), a guaranty agency should **notify the school and the Department if the school's draft data challenge is untimely.**

If the school did not send its draft data challenge within **45 calendar days** of the school's receipt of its most recent hardcopy draft cohort default rate data, the guaranty agency should NOT review any part of the school's draft data challenge. In its response to the school, the guaranty agency should explain that it is unable to review the challenge because the school missed the regulatory deadline. The guaranty agency should refer the school to the "Draft Data Challenge" section beginning on page 75, and simultaneously send a copy of the letter to the Department.²



Note

The Department mails draft cohort default rates at an announced time and tracks schools' receipt of the rates. Before denying a school's draft data challenge on the basis of a late submission, a guaranty agency should contact the Department to verify the actual date the school received its draft cohort default rate data.

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² 64 Fed. Reg. 58974 (November 1, 1999) (Preamble to Final Rule)

If the school's submission due date falls on a weekend or a federal holiday, a school may send its draft data challenge to the guaranty agency no later than the next federal business day.

Step 3: If the draft data challenge is timely, **within the time frame described in Step 1** (i.e., within 30 calendar days of receiving the school's timely submitted draft data challenge), a guaranty agency should **review each allegation** submitted by the school.

- ◆ **Determine if the allegations** presented by the school are based on loans that **are currently held by the agency**.

If the loans are not held by the agency, notify the school that the allegation(s) should be submitted to the entity that currently maintains the guarantee on the loan. Remind the school that all allegations must be submitted to the appropriate entity within 45 calendar days of the school's receipt of its hardcopy draft cohort default rate data.

- ◆ **Determine if all relevant material is present** including, but not limited to:
 - ❖ a **spreadsheet** identifying the loans that the school is requesting the guaranty agency review;
 - ❖ a copy of **applicable pages from the relevant loan record detail report(s)**.

Each allegation must be accompanied by **at least one page** of a loan record detail report;

❖ How should a guaranty agency respond if a school challenges the accuracy of a FFEL Program loan that is considered in default due to the default on a consolidation loan?

XX The guaranty agency should confirm the date entered repayment of the FFEL Program loan and explain that the FFEL Program loan that was paid-in-full through consolidation is considered in default because the consolidated loan defaulted within the same cohort period in which the FFEL Program loan entered repayment.

If a different guaranty agency guaranteed the consolidation loan, the school should be referred to that agency for any questions pertaining to the default of the consolidation loan.

Please refer to pages 95 and 97 of the "Draft Data Challenge" section for a sample spreadsheet from a school and for a sample loan record detail report.

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A school should include the page of the loan record detail report where the borrower appears, or where the borrower should appear. A school should provide both pages of the loan record detail report if the borrower appears or should appear at the end of one page or at the beginning of the next page.

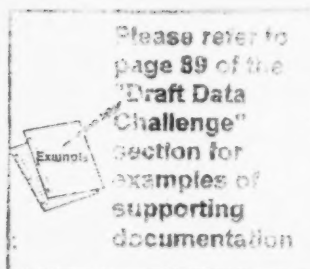
If the borrower is moved from one year to another, a school should include the page of the loan record detail report where the borrower currently appears, and the page of the loan record detail report where the borrower should appear.

AND

relevant supporting documentation including, but not limited to:

a signed and dated copy of a **letter to the relevant lender or guaranty agency** that informs the entity of the borrower's last date of attendance or less-than-half-time date (whichever is earlier) and provides evidence that the information was mailed to the relevant lender or guaranty agency in a timely manner (i.e., a certified mail receipt);

AND/OR



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- a signed and dated copy of a **Student Status Confirmation Report (SSCR)** or an **NSLDS SSCR screen print** that timely informs the lender and/or guaranty agency of the borrower's last date of attendance or less-than-half-time date (whichever is earlier);

AND/OR

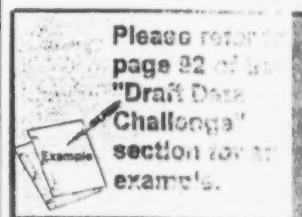
- a copy of a **cancelled check**, front and back, or other documentation showing that the borrower's loan was cancelled in-full within 120 days of disbursement by the lender.

**Note**

If a school fails to provide the guaranty agency with all the necessary information, the guaranty agency may ask the school to submit the missing information. However, the school must submit this additional information to the guaranty agency within the 45 calendar day deadline for submitting draft data challenges.

- ◆ **Research each allegation** to determine if documentation maintained by the guaranty agency supports or refutes the school's allegation.

Please refer to pages 80 through 85 of the "Draft Data Challenge" section for a list of the different types of possible allegations.



Please refer to page 82 of the "Draft Data Challenge" section for an example.

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- ◆ **Make a determination** on each allegation listed on the school's spreadsheet.



Note

If a borrower has multiple loans guaranteed and currently held by the guaranty agency, the guaranty agency must address all of the borrower's loans associated with the school in question.

- ❖ **Agree** with the school if the documentation maintained by the guaranty agency supports the school's claim or if the school has demonstrated that the correct information was timely submitted to the lender and/or guaranty agency.



Note

If the guaranty agency response indicates that a loan has been repurchased, the guaranty agency must provide the original claim paid date, the reason the loan was repurchased, and whether any subsequent claims were filed.

OR

- ❖ **Disagree** with the school if the documentation maintained by the guaranty agency refutes the school's claim and the school failed to demonstrate that the correct information was timely submitted to the lender and/or guaranty agency. If the guaranty agency disagrees with the school, **the guaranty agency must explain why it disagrees with the school.**

There are a number of reasons why a guaranty agency might disagree with the school's allegations of error. For example, the school might have:

•

- made only **general allegations** about the loan record detail report and/or the draft cohort default rate data;
- failed to provide evidence that the guaranty agency and/or lender was **timely notified of a change in status for the borrower**;

AND/OR

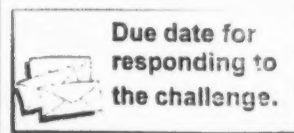
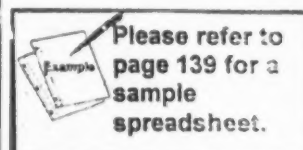
- failed to provide **acceptable supporting documentation** for an allegation.

Please refer to page 89 for examples of acceptable supporting documentation.

Step 4: Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving the school's draft data challenge), a guaranty agency should **compile a list** of the guaranty agency's responses to the school's alleged errors.

- ◆ Record the responses to each of the school's alleged errors on a spreadsheet that follows the format of the sample **Draft Data Challenge Response** spreadsheet.
- ◆ **Provide comments** on why the guaranty agency agrees or disagrees with each of the school's allegations.

Step 5: Within the time frame described in Step 1 (i.e., within 30 calendar days of receiving the school's draft data challenge), a guaranty agency should **send the school a response to its draft data challenge and also send a copy of the response to the Department**.



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The Department recommends that:

- ◆ each guaranty agency submit the completed response to the school's draft data challenge using the format of the sample **Draft Data Challenge Response** letter shown on page 141;
- ◆ each guaranty agency include the spreadsheet created in Step 4 in its response;

AND

- ◆ each guaranty agency compile its response and mail the response via return receipt requested or via overnight courier delivery to the school with a copy to the Department sent to the address provided on page 136.

The recommended materials for the guaranty agency response are shown on page 135.

Step 5:

Respond to any subsequent inquiries from a school within **5 working days** of the receipt of the school's timely inquiry and send a copy of the response letter to the Department.

If a guaranty agency does not agree with the school's subsequent inquiry, the agency should indicate that its previous response was its final response.



Note

Schools must submit subsequent inquiries within **5 working days** of receiving the agency's response to its initial inquiry.

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A guaranty agency should send the following to the school:

The section behind Component 1 contains:

Component 1

A letter on the guaranty agency's letterhead with—

- ◆ the school's **OPE ID number**;
 - ◆ the school's **name**;
 - ◆ a statement indicating that the guaranty agency is responding to the school's **draft data challenge**;
 - ◆ the **fiscal year** to which the response applies;
 - ◆ the **signature** of the responsible official at the guaranty agency, followed by a signature block providing the **signer's name and job title**.
- AND
- ◆ an indication that a copy was sent to the **Department**.

Guaranty agencies should use the sample **Draft Data Challenge Response** letter on page 141.

The section behind Component 2 contains:

Component 2

A list, in **spreadsheet** format, of the guaranty agency's responses to the school's alleged errors.

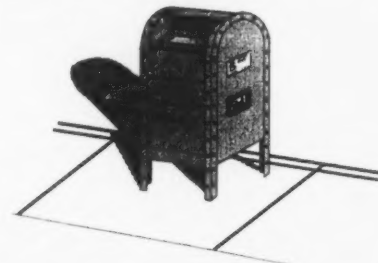
Guaranty agencies should use the sample **Draft Data Challenge Response** spreadsheet on page 139. A guaranty agency must provide **data on each of the elements** listed on the sample spreadsheet.



If a borrower has **multiple loans**, the guaranty agency must address all of the borrower's loans associated with the school in question.

If sent by commercial overnight mail/courier delivery, send the Department's copy of the draft data challenge response to:

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407



If sent by U.S. Postal Service, send the Department's copy of the draft data challenge response to:



U.S. Department of Education
Default Management Division
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353

Guaranty Agency Response to Draft Data Challenge Example

Draft Data Challenge Received by the State Guaranty Agency

Within 30 calendar days of receiving the school's draft data challenge, the guaranty agency:

- ◆ determined whether the school's challenge was timely (please refer to Step 1 on page 128);

State Guaranty Agency received Electrical Training Institute's FY 1998 draft data challenge on March 14, 2000. State Guaranty Agency checked to verify that the challenge was timely submitted. According to the Department, the school received its draft cohort default rate data on February 16, 2000. According to the postmark on the service delivery package, the draft data challenge was submitted to the agency on March 10, 2000. Because the challenge was submitted within 45 calendar days of the school's receipt of its draft cohort default rate data, the challenge was timely submitted.
- ◆ determined whether the loans listed on the school's spreadsheet are currently held by the agency (please refer to Step 3 on page 129);

State Guaranty Agency checked column 10 of Electrical Training Institute's spreadsheet and determined that the school had identified the loan as being guaranteed by the State Guaranty Agency. The State Guaranty Agency then verified in its system that the loan was currently held by the agency.
- ◆ determined whether all the relevant material was present for each allegation including (please refer to Step 3 on pages 129 through 131):
 - ❖ the school's **spreadsheet** (please refer to page 95 for the sample spreadsheet from the school);
 - ❖ the applicable pages from the relevant loan record detail reports (please refer to page 97 for sample loan record detail reports from the school);

AND

 - ❖ **supporting documentation** (please refer to page 99 for sample supporting documentation from the school).
- ◆ reviewed the allegation regarding David Smith presented by the school in its draft data challenge:

State Guaranty Agency's records confirm that timely notification of David's change in enrollment status was provided by the school. As a result, the agency **agreed** that David's FFEL Program Stafford loan should be removed from the school's FY 1998 cohort default rate and placed in the school's FY 1997 cohort default rate.
- ◆ prepared a **spreadsheet** that indicated the correct data associated with David's loan (please refer to the sample spreadsheet response on page 139);

AND
- ◆ created a **cover letter** to Electrical Training Institute responding to the school's draft data challenge (please refer to the sample cover letter on page 141).

State Guaranty Agency then sent the material to Electrical Training Institute at the address on the school's cover letter and sent a copy to the Department's Default Management Division.

Record all loans for which the school submitted a draft data challenge using a spreadsheet software application such as Excel, Lotus 1-2-3, or Supercalc. The resulting spreadsheet is sent to the school that submitted the challenge and to the Department.



Fill out a separate spreadsheet for each school submitting a draft data challenge.

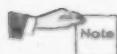
The spreadsheet should be printed on 8 1/2" x 11" paper in a landscape (horizontal) layout. A sample spreadsheet follows these instructions.

Header: Enter **FY 1998 Draft Data Challenge Response** in the center of the header area. In the left-hand area, enter the guaranty agency name, the school's name, the school's OPE ID number, and the number of allegations identified on the spreadsheet.

Footer: Enter the date in the left side of the footer area. Set up automatic pagination in the right side of the footer area so that the specific page number and the total number of pages show on each page, for example: page 1 of 10 pages.

Sort: The borrowers listed on the spreadsheet should be sorted by:

1. Borrower's Social Security number
2. Loan type.



The guaranty agency should only respond to the borrowers listed on the school's spreadsheet.

On Row 1, enter exactly the same column names in exactly the same order as listed on the sample spreadsheet. Ensure that column names appear at the top of each page.

On Row 2 and below, include the following data for each loan for which the school submitted a draft data challenge.

Column 1: Enter the borrower's Social Security number (SSN) using hyphens to separate the numbers (example: 000-88-0000).



If a borrower has multiple loans, the guaranty agency must address all of the borrower's loans associated with the school in question.

Column 2: Enter the borrower's name.

Column 3: Enter the loan type. Use the following codes to identify the type of loan.

Loan Type Codes	
Code	Description
D1	Direct Loan Subsidized Stafford Loan
D2	Direct Loan Unsubsidized Stafford Loan
SF	FFEL Subsidized Stafford Loan
SL	Supplemental Loans for Student Loan
SU	FFEL Unsubsidized Stafford Loan

Column 4: Enter MM/DD/CCYY (month, date, year) to identify the **EARLIER** of LTH (less-than-half-time) enrollment or LDA (last date of attendance) based on the guaranty agency's review of the allegation.

Column 5: Enter MM/DD/CCYY to identify the date the loan entered repayment based on the guaranty agency's review of the allegation.

Column 6: Enter MM/DD/CCYY to identify the CPD (claim paid date), DD (default date), or ICRD (income contingent repayment date) based on the guaranty agency's review of the allegation. Leave blank if the borrower did not default or does not meet other specified conditions.

Column 7: Enter the recommended fiscal years to which a change should be made. If the loan is being moved from one year to another, the guaranty agency should indicate the effect on the fiscal year in which the borrower is currently included and the effect on the fiscal year in which the borrower should be placed.

Column 8: Enter N (numerator), D (denominator), or B (both numerator and denominator) with a negative or positive sign (-D or +D) to indicate the effect on the CDR (cohort default rate) calculation. If there is no effect, enter None.

Column 9: Enter any comments. If the guaranty agency disagrees with the school's allegation(s), a comment must be made in this section to identify why the guaranty agency disagreed.

Instructions for Draft Data Challenge Response Spreadsheet

Note: This is a sample spreadsheet. See instructions on the previous page.

FY 1998 Draft Data Challenge Response

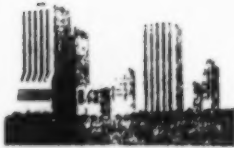
State Guaranty Agency
Electrical Training Institute
OPE ID 111111
Number of allegations: 1

Sample Draft Data Challenge Response Spreadsheet

1. Borrower's SSN	2. Borrower's Name	3. Type of loan (Use codes on instructions)	4. Earlier of LTH or LDA (MM/DD/CCYY)	5. Date entered repayment (DER) (MM/DD/CCYY)	6. CPD, DD, ICRD, or N/A (MM/DD/CCYY or leave blank)	7. FY(s) appl.	8. Effect on CDR calc. (N,D, or B)	9. Comments
111-11-1111	David Smith	SF	11/12/1996	05/13/1997	09/05/1999	FY 1998 FY 1997	-B +D	Agree. The guaranty agency's records indicate that the school timely submitted the information on David's change in enrollment.

Please refer to Step 3 on page 129 for information on the time frame associated with completing this spreadsheet and page 138 for detailed instructions on creating this spreadsheet.

Sample Draft Data Challenge Response Letter

**State Guaranty Agency**

1234 Trueman Road
Lusby, North Carolina 98765-4321
(111) 222-3333

May 21, 2000

Sample Letter

Robert Young
President
Electrical Training Institute
1234 Main Street
Leonardtown, Wisconsin 12345-6789

OPE ID#: 111111

Subject: FY 1998 Draft Data Challenge Response

Dear Mr. Young:

This is State Guaranty Agency's response to Electrical Training Institute's, OPE ID# 111111, FY 1998 draft data challenge.

Please see the enclosed spreadsheet.

Sincerely,

Bob Tucker

Bob Tucker, CEO
State Guaranty Agency

Enclosure

cc: U.S. Department of Education, Default Management Division

Please refer to Step 5 on page 133 for more information on the time frame of issuing this letter.

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Appendix A

Guaranty Agency/Direct Loan servicer Contacts

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Numerical

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Alphabetical

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Numerical Guaranty Agency/Direct Loan servicer Contacts

The contact list that follows contains the names, addresses, telephone numbers, e-mail and website addresses (if available) and points of contact for **FFEL Program loans** and **Direct Loan Program loans** included in a school's cohort default rate calculation. The list is in **numerical order** by the three digit guarantor/servicer code as identified on the loan record detail report, followed by the name of the state/territory/entity primarily associated with the identified code.

If the three-digit code is not known, see page 15 of "Appendix A2" for an alphabetical listing of the contacts by the area in which the guarantor or servicer is primarily responsible.



Note

If a school discovers that the information listed for a guaranty agency or the Direct Loan servicer is incorrect, it should contact the Department's Default Management Division.

0101 Direct Loan Servicing Center

U.S. Department of Education
Direct Loan Servicer
ATTN: Default Rate Appeals Section
501 Bleeker Street
Utica, NY 20407

School Services Representative
(888) 877-7658
<http://www.dlservicer.ed.gov>

555 U.S. Department of Education

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407

(202) 708-9396
OSFA_IPOS_Default_Management_
Division@ed.gov
<http://www.ed.gov>



Note

This is the address for FFEL Program loans currently maintained by the Department. For the Direct Loan Program loans, see Code 0101 to the left.

611 District of Columbia

American Student Assistance Corporation
Attn: Cohort Section
330 Stuart Street
Boston, MA 02116

Ms. Sue Pottenger
(800) 999-9080 ext. 3209
pottenger@amsa.com
<http://www.amsa.com>

620 Kansas

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

627 U.S. Department of Education

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407-5353

(202) 708-9396
OSFA_IPOS_Default_Management_
Division@ed.gov
<http://www.ed.gov>

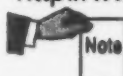


This is the address for FFEL Program loans currently maintained by the Department. For the Direct Loan Program loans address, see Code 0101, page 3.

631 U.S. Department of Education

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407-5353

(202) 708-9396
OSFA_IPOS_Default_Management_
Division@ed.gov
<http://www.ed.gov>



This is the address for FFEL Program loans currently maintained by the Department. For the Direct Loan Program loans see Code 0101, page 3.

654 West Virginia

Pennsylvania Higher Education Assistance Agency
Attn: Program Review
1200 North 7th Street
HQ4
Harrisburg, PA 17102-1444

Ms. Lisa Hoffman
(717) 720-2180
lhoffman@pheaa.org
<http://www.pheaa.org>

656 Wyoming

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

701 Alabama

Kentucky Higher Education Assistance
Authority
Attn: Manager, Policy and Client Services
Branch
1050 U.S. 127 South
Frankfort, KY 40601-4323

Ms. Kristy M. Green
(502) 696-7270
kgreen@kheaa.com
<http://www.kheaa.com>

702 Alaska

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

705 Arkansas

Student Loan Guaranty Foundation of
Arkansas
Attn: Special Projects Coordinator
219 South Victory
Little Rock, AR 72201-1884

Ms. Brenda Steele
(501) 688-7648
bsteele@slgfa.org
<http://www.slgfa.org>

706 California

EDFUND
Attn: Loan Detail Information Office
Cohort Default Rate Appeals and Disputes
3300 Zinfandel Drive
P.O. Box 419045
Rancho Cordova, CA 95741-9045

Ms. Kevis Foley-Bumgardner
(916) 526-8068
kfoley@edfund.org
<http://www.edfund.org>

708 Colorado

Colorado Student Loan Program
Attn: Operations Department
Assistant Manager – NSLDS/Quality
Assurance
999 18th Street, Suite 425
Denver, CO 80202-2471

Ms. Mary Crow
(303) 305-3387
mcrow@cslp.org
<http://www.cslp.org>

709 Connecticut

Connecticut Student Loan Foundation
Attn: Manager of Guarantee Operations
P.O. Box 1009
525 Brook Street
Rocky Hill, CT 06067

Ms. Sandy Barsom
(860) 257-4001 ext. 247
sbarsom@mail.cslf.org
<http://www.cslf.com>

710 Delaware

Pennsylvania Higher Education Assistance
Agency

Attn: Program Review

1200 North 7th Street

HQ4

Harrisburg, PA 17102-1444

Ms. Lisa Hoffman

(717) 720-2180

lhoffman@pheaa.org

<http://www.pheaa.org>

716 Idaho

Northwest Education Loan Association

Attn: School Compliance Representative

500 Coleman Building

811 First Avenue

Seattle, WA 98104

Ms. Linda Shannon

(206) 461-5325

lindas@nela.net

<http://www.nela.net>

712 Florida

Florida Department of Education

Office of Student Financial Assistance

Attn: Ms. Jeannie Perkins

Koger Center

2670 Executive Center Circle, West

100 Sutton Building

Tallahassee, FL 32301-5019

Ms. Jeanie Perkins OR

Ms. Rhonda Forbes

(850) 671-6400

perkins_j1@popmail.firn.edu OR

forbes_r@popmail.firn.edu

717 Illinois

Illinois Student Assistance Commission

Attn: Compliance Analyst

1755 Lake Cook Road

Deerfield, IL 60015-5209

Ms. Terry Dallas

(847) 948-8500 ext. 3306

tdallas@isac.org

<http://www.isac-online.org>

713 Georgia

Georgia Higher Education Assistance
Corporation

Attn: Program Administration

2082 East Exchange Place, Suite 200

Tucker, GA 30084-5305

Ms. Carole Jones

(770) 724-9137

carole@mail.gsfc.state.ga.us

<http://www.gsfc.org>

718 Indiana

USA Group Guarantee Services

Attn: Ms. Kristi Mueller

11100 USA Parkway

Fishers, IN 46038

Ms. Kristi Mueller

(317) 595-1315

kmueeller@usagroup.com

<http://www.usagroup.com>

719 Iowa

Iowa College Student Aid Commission
Attn: Associate Director, Claims and
Collections
200 10th Street, 4th Floor
Des Moines, IA 50309-3356

Mr. Brian Mohr
(515) 242-3356
brian.mohr@csac.state.ia.us
<http://www.state.ia.us/government/icsac>

721 Kentucky

Kentucky Higher Education Assistance
Authority
Attn: Manager, Policy and Client Services
Branch
1050 U.S. 127 South
Frankfort, KY 40601-4323

Ms. Kristy M. Green
(502) 696-7270
kgreen@kheaa.com
<http://www.kheaa.com>

722 Louisiana

Louisiana Office of Student Financial
Assistance
Attn: Program Review
1885 Wooddale Boulevard
Baton Rouge, LA 70806

Ms. Susan Michelli
(225) 922-1092
smichelli@osfa.state.la.us
<http://www.osfa.state.la.us>

723 Maine

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

724 Maryland

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

725 Massachusetts

American Student Assistance Corporation
Attn: Cohort Section
330 Stuart Street
Boston, MA 02116

Ms. Sue Pottenger
(800) 999-9080 ext. 3209
pottenger@amsa.com
<http://www.amsa.com>

726 Michigan

Michigan Higher Education Assistance
Authority
Attn: Audit and Program Review Section
608 W. Allegan Road
Hannah Building, First Floor
Lansing, MI 48933-1524

Mr. Dan Tryon
(517) 373-4981
tryond@state.mi.us

727 Minnesota

Great Lakes Higher Education Guaranty
Corporation
Attn: Lori Marty
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
<http://www.glhec.org>

728 Mississippi

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

729 Missouri

Missouri Student Loan Program
Attn: Coordinator for Compliance
3515 Amazonas Drive
Jefferson City, MO 65109-5717

Ms. Ruth Chrismore
(573) 751-8748
rchrismo?cbhe400@admin.mocbhe.gov
<http://www.mocbhe.gov>

730 Montana

Montana Guaranteed Student Loan
Program
Attn: Program Specialist
2500 Broadway
Helena, MT 59601

Mr. Ron Muffick
(406) 444-0369
(800) 537-7508
rmuffick@mgspl.state.mt.us
<http://www.mgspl.state.mt.us>

731 Nebraska

NSLP
Attn: Program Review and Compliance
1300 O Street
Lincoln, NE 68508

Mr. Kevin Taylor OR Ms. Alicia Chapelle
(402) 479-6718 OR (402) 479-6743
kevint@nslp.org OR aliciac@nslp.org
<http://www.nslp.org>

732 Nevada

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

735 New Mexico

New Mexico Student Loan Guarantee
Corporation
Attn: Compliance and Program Review
Office
3900 Osuna, N.E.
Albuquerque, NM 87109

Ms. Carolyn Holder
(505) 345-8821 ext. 261
holderc@nmslgc.org
<http://www.nmslgc.org>

733 New Hampshire

New Hampshire Higher Education
Assistance Foundation
Attn: Director of Training and Compliance
4 Barrell Court
Concord, NH 03301

Mr. Scott Littlefield
(603) 225-6612 ext. 120
slittlefield@gsmr.org
<http://www.nhheaf.org>

736 New York

New York State Higher Education Services
Corporation
Attn: Lender Service
99 Washington Avenue
Albany, NY 12255

Mrs. Joan Putnick
(518) 473-1669
jputnick@hesc.com
<http://www.hesc.com>

734 New Jersey

Higher Education Student Assistance
Authority
Attn: Preclaim and Claims Accounting
4 Quakerbridge Plaza Building 4
Trenton, NJ 08619

Ms. Susan Fitz-Maurice
(609) 588-3234
susan_fitz-maurice@osa.state.nj.us
<http://www.state.nj.us/treasury/osa>

737 North Carolina

North Carolina State Education Assistance
Authority
Attn: Claim Accounting and Compliance
Review
10 Alexander Drive
Research Triangle Park, NC 27709

Ms. Robbin Sutton
(919) 248-4629
RobbinS@ncseaa.edu
<http://www.ncseaa.edu>

738 North Dakota

Student Loans of North Dakota
Attn: Compliance Officer
715 East Broadway
Bismarck, ND 58501

Ms. Char Feist
(701) 328-5753
cfeist@state.nd.us
<http://www.banknd.com/slnd>

739 Ohio**For NON-DEFAULTED LOANS**

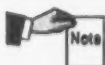
Great Lakes Higher Education Guaranty
Corporation
Attn: Lori Marty
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
<http://www.glhec.org>

For DEFAULTED LOANS

U.S. Department of Education
Default Management Division
ROB-3, Room 3905
7th & D Streets, SW
Washington, DC 20407

(202) 708-9396
OSFA_IPOS_Default_Management_
Division@ed.gov
<http://www.ed.gov>



This is the address for FFEL Program loans currently maintained by the Department. For Direct Loan Program loans see Code 0101, page 3.

740 Oklahoma

Oklahoma State Regents for Higher
Education Guaranteed Student Loan
Program

Attn: Mary Heid
999 Northwest Grand Boulevard, Suite 300
Oklahoma City, OK 73118

Ms. Mary Heid
(405) 858-4300
gforgey@ogslp.org
<http://www.ogslp.org>

741 Oregon

Oregon Student Assistance Commission
Attn: Program Review
1500 Valley River Drive Suite 100
Eugene, OR 97401

Ms. Carolyn Sinclair
(541) 687-7379
carolyn.e.sinclair@state.or.us
<http://www.osac.state.or.us>

742 Pennsylvania

Pennsylvania Higher Education Assistance
Agency

Attn: Program Review
1200 North 7th Street
HQ4

Harrisburg, PA 17102-1444

Ms. Lisa Hoffman
(717) 720-2180
lhoffman@pheaa.org
<http://www.pheaa.org>

744 Rhode Island

Rhode Island Higher Education Assistance
Authority

Attn: Cohort Appeals
560 Jefferson Boulevard
Warwick, RI 02886-1320

Mr. Charles Totoro
(401) 736-1141
ctotoro@riheaa.org
<http://www.riheaa.org>

747 Tennessee

Tennessee Student Assistance
Corporation

Attn: School Relations Specialist
404 James Robertson Parkway
Suite 1950
Nashville, TN 37243-0820

Mr. Dick Mansfield
(615) 741-1346
rmansfield@mail.state.tn.us
<http://state.tn.us/tsac>

745 South Carolina

South Carolina State Education
Assistance Authority

Attn: Mike Fox
Interstate Center, Suite 210
16 Berryhill Road
Columbia, SC 29212

Mr. Mike Fox
(803) 798-7960
mike_fox@slc.sc.edu
<http://www.slc.sc.edu>

748 Texas

Texas Guaranteed Student Loan
Corporation

Attn: Compliance Analyst
2929 Longhorn Boulevard, Suite 106
Austin, TX 78758

Mr. Ken Johnson
(512) 219-4701
ken.johnson@tgslc.org
<http://www.tgslc.org/tgslc>

746 South Dakota

Education Assistance Corporation

Attn: EAC Vice President
115 First Avenue, S.W.
Aberdeen, SD 57401

Ms. Ellen Welke
(605) 622-4340
ewelke@eac-easci.org
<http://www.eac-easci.org>

749 Utah

Utah Higher Education Assistance
Authority

Attn: Manager of Compliance and
Program Review
355 West North Temple
Three Triad Center, Suite 550
Salt Lake City, UT 84180-1205

Mr. Jed Spencer
(801) 321-7220
jspencer@utahsbr.edu
<http://www.uheaa.org>

750 Vermont

Vermont Student Assistance Corporation
Attn: Manager of School Policy and
Compliance
The Champlain Mill
1 Main Street
Winooski, VT 05404

Ms. Marcia Vance
(802) 654-3770 ext. 273
(800) 660-3561 ext. 273
vance@vsac.org
<http://www.vsaac.org>

751 Virginia

Educational Credit Management
Corporation (ECMC)
ECMC Guarantee Servicing
Attn: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024
lwoodley@ecmc.org
<http://www.ecmc.org>

753 Washington

Northwest Education Loan Association
Attn: School Compliance Representative
500 Coleman Building
811 First Avenue
Seattle, WA 98104

Ms. Linda Shannon
(206) 461-5325
lindas@nela.net
<http://www.nela.net>

755 Wisconsin

Great Lakes Higher Education Guaranty
Corporation
Attn: Lori Marty
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
<http://www.glhec.org>

772 Puerto Rico

Great Lakes Higher Education Guaranty
Corporation
Attn: Lori Marty
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
<http://www.glhec.org>

778 Virgin Islands

Great Lakes Higher Education Guaranty
Corporation
Attn: Lori Marty
2401 International Lane
Madison, WI 53704

Ms. Lori Marty
(608) 246-1622
lmarty@glhec.org
<http://www.glhec.org>

800 USA Group Guarantee Services

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

804 Arizona

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

815 Hawaii

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

927 Educational Credit Management Corporation (ECMC)

[Formerly Transitional Guaranty Agency (TGA)]

Educational Credit Management Corporation (ECMC)
ECMC Guarantee Servicing
Attn: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024
lwoodley@ecmc.org
<http://www.ecmc.org>

951 Educational Credit Management Corporation (ECMC)

Educational Credit Management Corporation (ECMC)
ECMC Guarantee Servicing
Attn: Program Compliance Specialist
411 East Franklin Street, Suite 300
Richmond, VA 23219-2243

Ms. Linda Woodley
(888) 775-3262 ext. 8024
lwoodley@ecmc.org
<http://www.ecmc.org>

American Samoa (no number code)

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

**Federated States of Micronesia,
Marshall Islands, and Republic of
Palau (no number code)**

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

Guam (no number code)

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

**Northern Mariana Islands (no
number code)**

USA Group Guarantee Services
Attn: Ms. Kristi Mueller
11100 USA Parkway
Fishers, IN 46038

Ms. Kristi Mueller
(317) 595-1315
kmueller@usagroup.com
<http://www.usagroup.com>

Alphabetical Guaranty Agency/Direct Loan servicer Contacts

The list that follows contains, in **alphabetical order**, the names of states/territories/entities primarily associated with the guarantor/servicer code listed on the loan record detail report.

The number in the second column is the three-digit guarantor/servicer code identified on the loan record detail report for each loan record. See pages 3 through 14 of "Appendix A1" for a list of these three-digit codes in numerical order, followed by the names of the points of contacts, their addresses, telephone numbers, and e-mail and website addresses (if available).

State and/or Territory	Guarantor/Servicer code
Alabama	701
Alaska	702
American Samoa	no number code
Arizona	804
Arkansas	705
California	706
Colorado	708
Connecticut	709
Delaware	710
Direct Loan Servicer	0101
District of Columbia	611
Educational Credit Management Corporation (ECMC)	927 and 951
Federated States of Micronesia, Marshall Islands, Republic of Paulau	no number code
Florida	712
Georgia	713
Guam	no number code
Hawaii	815
Idaho	716
Illinois	717
Indiana	718
Iowa	719
Kansas	620
Kentucky	721

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State and/or Territory	Guarantor/Service code
Louisiana	722
Maine	723
Maryland	724
Massachusetts	725
Michigan	726
Minnesota	727
Mississippi	728
Missouri	729
Montana	730
Nebraska	731
Nevada	732
New Hampshire	733
New Jersey	734
New Mexico	735
New York	736
North Carolina	737
North Dakota	738
Northern Mariana Islands	no number code
Ohio	739
Oklahoma	740
Oregon	741
Pennsylvania	742
Puerto Rico	772
Rhode Island	744
South Carolina	745
South Dakota	746
Tennessee	747
Texas	748
U.S. Department of Education	555, 627, and 631
USA Group Guarantee Services	800
Utah	749
Vermont	750
Virgin Islands	778
Virginia	751
Washington	753
West Virginia	654
Wisconsin	755
Wyoming	656

Appendix B

Comments on the FY 1998 Draft Cohort Default Rate Guide

Please TYPE or PRINT the following. The Department may contact you for further clarification on your comments.

Organization Name: _____
School OPE-ID # (if applicable): _____
Organization Mailing Address: _____

Person completing this form: _____
Telephone number: (____) _____

Was the *Guide* easy to read and understand? ☐ YES ☐ NO

Did you like the separation of challenge information from general cohort default rate information? ☐ YES ☐ NO

Did this format make it easier for your school or entity to prepare its draft data challenge/response? ☐ YES ☐ NO

Were the instructions and spreadsheets easy to follow and understand? ☐ YES ☐ NO

Are there issues that were not discussed in the *Guide* that you would like to see in future editions? ☐ YES ☐ NO

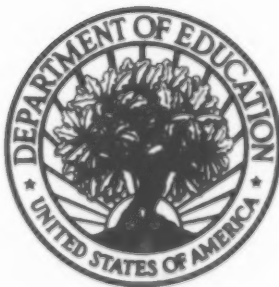
General comments

If sent by commercial overnight mail/courier delivery,
send your comments to:

U.S. Department of Education
Default Management Division
Attn: Guide Comments
ROB-3, Room 3905
7th and D Streets, SW
Washington, DC 20407

If sent by U.S. Postal Service, send your comments to:

U.S. Department of Education
Default Management Division
Attn: Guide Comments
Portals Building, Room 6300
400 Maryland Avenue, SW
Washington, DC 20202-5353



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Default Management Division
Washington, DC 20202-5353